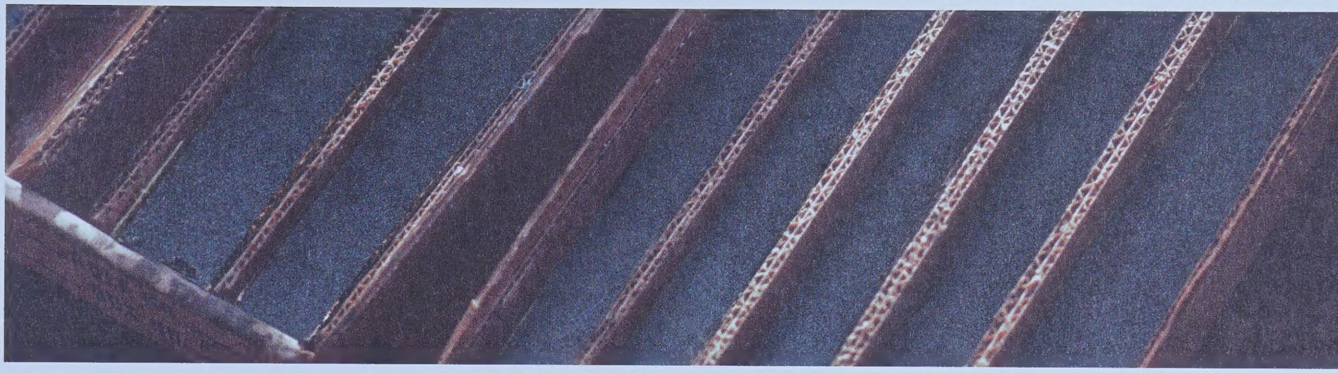
UTS ENERGY CORPORATION

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008



UTS

MESSAGE TO OUR SHAREHOLDERS

We achieved significant progress in 2008 on developing the UTS portfolio of high quality mineable oil sands assets. Unfortunately, that progress has been overshadowed by both the global financial crisis and the unsolicited offer we received from Total E&P Canada Ltd. ("Total") in early 2009. It is important not to lose sight of what has been accomplished thus far at UTS and the tremendous growth potential for shareholders as the economy and commodity prices begin to recover.

The Fort Hills Partnership prudently delayed project sanctioning in the fourth quarter of 2008 in light of a dramatically higher cost forecast and deteriorating economy. Petro-Canada, as operator, has revisited both the scope and estimate to factor in the effects of the current business environment. We are confident that the Fort Hills Project will proceed with lower capital cost intensity later this year. We project that with our current cash position and earn-in agreements, we are funded until at least the first half of 2011. The recent agreement with the Government of Alberta to extend the term of the Fort Hills leases to 2019 is very positive for the Fort Hills Project.

Development work progressed on both the Frontier and Equinox Projects during the year. We expect the Equinox Project's design basis memorandum ("DBM") to be completed during the second quarter of 2009 and to supplement the scoping work in progress on the Frontier Project. Teck and UTS intend to initiate a DBM for the Frontier Project later this year.

The success of our three-year land acquisition and exploration program, which saw over 600 core holes drilled to delineate the extent of our resources, was validated when Sproule Unconventional Limited ("Sproule") issued its report on 2008 year-end contingent bitumen resources in the UTS portfolio. With 1,717 million barrels of contingent bitumen resources, UTS now has one of the most significant portfolios in the industry of undeveloped mineable oil sands resources. This includes existing contingent resources of 165 million barrels in the Equinox Project, 776 million barrels of contingent resources in the Fort Hills Project and newly assessed contingent resources of 775 million barrels in the Frontier Project. The Sproule Report gives a critical third-party validation of UTS' strategy and success to date.

Our latest drilling program focused on the Lease 421 Area, where the drilling now covers a total of 26 sections with an average density of two core holes per section. The preliminary results show a laterally-continuous resource indicative of a third significant mineable oil sands discovery. Further analysis of the core data and delineation is required prior to assessing a contingent resource but we are very pleased with the results to date.

We ended the year in a solid financial position, with $325 million in cash and receivables and sufficient resources including the remaining earn-in of $746 million to carry us through the current market turbulence and weak credit markets.

However, the inflated Fort Hills Project cost estimate, coupled with the collapse in oil prices and the market downturn late in the year, pushed UTS' market valuation down sharply. It was during what may turn out to be the bottom of the energy industry down-cycle that Total made an unsolicited offer to acquire all of UTS' common shares, which we received on January 29, 2009.

The UTS Board of Directors, with assistance from our financial and legal advisors, carefully reviewed Total's unsolicited bid of $1.30 per common share in cash or approximately $616 million, and recommended that our shareholders reject it. In summary, Total's unsolicited offer does not cover the value of UTS current cash and the Fort Hills Project earn-in value, let alone ascribing value to the 1,717 million barrels of contingent bitumen resources, the Lease 421 Area discovery, the solid land position or the exploration potential. The UTS Board of Directors believe the offer price is financially inadequate and falls far short of reflecting the underlying value of your Company. The detailed rationale for rejection was issued in both a press release and a Director's Circular issued February 9, 2009.

Long-time UTS investors have watched as we have taken a solid oil sands land position and added tremendous value to that asset through our drilling, project development and partnership activities. Total is attempting to take advantage of plunging oil prices and a precipitous market decline by initiating a hostile takeover at a price that disregards the asset values and attempts to use your cash to fund the transaction. It's worthwhile noting that some significant changes have occurred since Total made its bid for UTS on January 29, 2009, specifically:

- we announced a significant increase in our contingent bitumen resources;
- we made another significant discovery in Lease 421, our third discovery after the Equinox and Frontier Projects;
- the Fort Hills Partnership reached an agreement with the Government of Alberta to extend the term of the Fort Hills Leases to 2019;
- Suncor Energy Inc., a highly experienced oil sands mine operator, has announced a planned merger with our partner Petro-Canada; and
- oil prices have increased by some 30 percent.

As I write this, we cannot predict the outcome of the process initiated by Total. Rest assured, however, that the management team and the Board of Directors are focused entirely on the best interests of UTS shareholders. In the interim, we will continue to progress development activities and add value to an already attractive portfolio.

William Roach

William Roach
President and Chief Executive Officer
Calgary, Alberta, Canada
March 26, 2009

UTS ENERGY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT MARCH 24 2009

Management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2008. Additional information concerning UTS Energy Corporation ("UTS" or the "Company"), including its Annual Information Form, is available on SEDAR at www.sedar.com.

This report contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities law. These statements and information are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements and forward-looking information. The words "believe", "expect", "indicate" "intend", "estimate", "anticipate", "project", "scheduled" and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements and forward-looking information. These statements and information are only predictions. Actual events or results may differ materially from the events and results expressed in the forward-looking statements and forward-looking information. In addition, this report may contain forward-looking statements and forward-looking information attributed to third-party industry sources. Undue reliance should not be placed on these forward-looking statements and forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements and forward-looking information involve numerous assumptions, known and unknown risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements and forward-looking information will not occur.

Specific forward-looking statements and forward-looking information contained in this report include, among others, statements regarding:

- *future crude oil and bitumen prices;*
- *the expected costs to construct the Fort Hills Project, the Frontier Project, and the Equinox Project, or other potential projects;*
- *the timing of commencement of operations and the level of production anticipated;*
- *the operation of facilities including the Sturgeon Upgrader or any other facilities;*
- *our estimated general financial performance in future periods;*
- *estimate regarding Fort Hills Project funding from earn-in;*
- *the timing of receipt of a revised cost estimate for the Fort Hills Project;*
- *the timing of filing regulatory applications;*
- *our resource estimates;*
- *the projection that sufficient financial resources are in place to fund working capital requirements for the Fort Hills Project until at least the first half of 2011;*
- *estimated abandonment and reclamation costs;*
- *any estimate of present value or our future net cashflow;*
- *any expansion plans for our properties or assets;*
- *the impact of governmental controls and regulations on our operations;*
- *our competitive advantages and ability to compete successfully;*
- *our expectations regarding the development and production potential of our properties including through the use of emerging technologies;*
- *the timing of receipt of required approval and permits from regulatory authorities;*
- *the impact of turmoil in the capital markets on the debt and equity markets; and*
- *our expectations regarding global capital markets.*

With respect to forward-looking statements and forward-looking information contained in this report, we have made assumptions regarding, among other things:

- *future crude oil, bitumen, natural gas and synthetic crude oil ("SCO") prices;*
- *our ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet our demand;*
- *the regulatory framework representing royalties, taxes and environmental matters in which we conduct our business;*
- *our ability to market production of bitumen or SCO successfully to customers;*
- *continuity of resource between core holes;*
- *future production levels;*
- *future capital expenditures;*
- *future sources of funding for UTS' capital program*
- *future debt levels;*
- *our geological and engineering estimates;*
- *the geography of the areas in which we are exploring;*
- *the impact of increasing competition;*
- *our ability to obtain financing on acceptable terms; and*
- *the risk around change to scope; and*
- *our continued existence and that no transaction resulting in a change of control of UTS is completed.*

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in our forward-looking statements. Such risks, uncertainties and factors include, among others:

- *the cost of construction for the Fort Hills Project, maintaining the construction schedule and planned start-up dates;*
- *difficulties encountered during the production of bitumen or SCO;*
- *costs associated with production and upgrading bitumen;*
- *the impact of competition;*
- *the need to obtain required approvals and permits from regulatory authorities;*
- *liabilities as a result of accidental damage to the environment;*
- *compliance with and liabilities under environmental laws and regulations;*
- *the uncertainty of estimates by our independent consultants with respect to our bitumen and SCO resources;*
- *the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices;*
- *the risks associated with exploring, developing and producing bitumen;*
- *changes in the foreign exchange rate amount between the Canadian dollar, the U.S. dollar and the Euro;*
- *risks that our financial counterparties (including Teck and Petro-Canada) may not fulfill financial obligations due to us;*
- *liquidity and capital market constraints on us;*
- *difficulties encountered in delivering either SCO, bitumen or dilbit to commercial markets;*
- *risk that we are unable to sufficiently protect our proprietary technology or may be subject to technology infringement claims from third parties;*
- *general economic conditions in Canada, the United States, and global markets;*
- *failure to obtain industry partners and other third-party consents and approvals when required;*
- *royalties payable in respect of our production;*
- *the impact of amendments to the Income Tax Act (Canada) on us;*
- *changes in or the introduction of new government regulations, in particular related to carbon dioxide ("CO_2") relating to our business; and*

- *the uncertainty of our ability to attract capital for both debt and equity when necessary.*

The information contained in this report, including the information provided under the heading "Risk Factors", identifies additional uncertainties that could affect our performance. We urge you to carefully consider those factors and the other information contained in this report.

Our forward-looking statements and forward-looking information are expressly qualified in their entirety by this cautionary statement. Our forward-looking statements and forward-looking information are only made as of the date of this report. We undertake no obligation to update these forward-looking statements and forward-looking information to reflect new information, subsequent events or otherwise, except as required by law.

INTRODUCTION

UTS' principal focus is the creation of shareholder value through the production of bitumen from the oil sands deposits associated with the leases related to the Fort Hill oils sands project ("Fort Hills Project"), the Frontier Project, the Equinox Project, and the Lease 421 Area (all of which are defined below), in addition to the potential development of the Company's other exploration lands located in Alberta's Athabasca Oil Sands Area.

UTS holds a 20% interest in the Fort Hills Project through its interests in Fort Hills Energy Corporation ("FHEC") and the Fort Hills Energy Limited Partnership ("Fort Hills Partnership"). The other Fort Hills Partners are Petro-Canada with a 60% interest and Teck Cominco Limited ("Teck") with a 20% interest. Petro-Canada Oils Sands Inc. ("PCOSI") is the contract operator for the Fort Hills Project. The Fort Hills Partners' participation in the Fort Hills Project is governed by the Amended and Restated Limited Partnership Agreement and the Amended and Restated Unanimous Shareholder's Agreement, each agreement is among UTS, Petro-Canada, Teck and FHEC on behalf of Fort Hills Partnership and dated November 23, 2007, which was originally amended and restated on November 30, 2005 (collectively the "Fort Hills Partnership Agreements").

UTS holds a 50% interest in each of the Equinox oil sands mining project (the "Equinox Project") and the Frontier oils sands mining project (the "Frontier Project"), both of which are located on the west side of the Athabasca River west of the Fort Hills Project. The Equinox Project bisects the Pierre River project operated by Shell Canada Limited ("Shell") and the Frontier Project is located to the north of both of these project areas. UTS considers both the Equinox Project and the Frontier Project to be mineable oil sands projects with earliest possible production by 2016 and 2018, respectively. Identification of these projects confirms the value of the past three years of drilling and land posting activity by the Company.

In addition to these projects, UTS holds a 50% interest in 148,480 and 94,080 acres, respectively, of exploration lands to the east and west of the Athabasca River. These other leases include the recent discovery from Leases 421, 022 and 023 (the "Lease 421 Area") and are expected to provide further opportunities and future funding flexibility for the Company. The oil sands display a high degree of lateral continuity and are present in 24 of the 29 sections drilled. Grades up to 17 mass percent bitumen were obtained from cores drilled in 2008. Oil sands have been encountered in 49 of 59 core holes drilled and this represents a significant oil sands discovery. Results of the laboratory analyses and the independent geological and engineering evaluation will be available in the fourth quarter of 2009 and will confirm the extent and quality of this resource. Teck owns the remaining 50% interest in all lands outside of the Fort Hills Project and acts as operator for the mineable lands.

UTS believes the exploration lands to the west of the Athabasca River, not included in the Frontier Project and the Equinox Project, may have the potential for in situ development opportunities using existing or emerging production technologies.

UTS believes that the combination of the Fort Hills Project, the bitumen resources and the exploration land assets on both the west and east sides of the Athabasca River (particularly the leases related to the Equinox Project and the Frontier Project) present growth opportunities for shareholders.

OVERVIEW

On January 29, 2009 Total E&P Canada a wholly owned subsidiary of Total S.A. made an unsolicited offer to purchase all of the Company's issued and outstanding common shares for the consideration of $1.30 per share. This unsolicited offer expires March 30, 2009 at 8:00 p.m. (EDT) and has been considered by the UTS Board of Directors and a Special Committee of the Board of Directors. The Board of Directors issued a circular dated February 9, 2009 recommending that shareholders "REJECT THE OFFER". There is no certainty that the shareholders will either accept or reject the offer, however the impact of the offer and the pending process may have a material impact on UTS.

The 2008 year was active with significant progress in all areas of the business. The success of the past three years of exploration on the lands outside of the Fort Hills Project was reinforced with conversion of the Frontier Project's resources to a contingent category and the addition of another significant discovery in the Lease 421 Area.

The Fort Hills Project's Front End Engineering Design ("FEED") study initiated during the latter part of 2007 reached substantial conclusion during the third quarter of 2008 with a number of long lead orders placed for both the Sturgeon upgrader (the "Sturgeon Upgrader" or "Upgrader"), to be potentially located approximately 40 kilometres northeast of Edmonton and the bitumen extraction facilities.

PCOSI provided the Fort Hills Partners with a preliminary estimate based on the FEED studies during the third quarter of 2008. This estimate showed an increase of in excess of 50% compared to the Design Basis Memorandum ("DBM") estimate issued in 2007. The magnitude of the increase in the preliminary capital estimate for a fully integrated project was unexpected and not approved by the Fort Hills Partners.

In response, PCOSI, as operator of the Fort Hills Project, initiated a dedicated project to examine options to reduce the capital cost intensity and, as a first step, the Fort Hills Partnership agreed to defer building the Sturgeon Upgrader.

The cost reduction efforts are focused on the following areas:

- completeness and accuracy to ensure that no duplication is present;
- rebidding and negotiation of contracts to better reflect the current business environment; and
- examination of project scope, execution strategy and class of design.

PCOSI's focus has been on developing a new cost estimate for a stand-alone mine, extraction plant and infrastructure that is reflective of both the reduced scope and changed business environment. It is UTS' view that the costs for the mining and extraction project may be in the range of $8.5 - $10.5 billion (this includes contingency and escalation, but excludes sunk costs of $2.5 billion). UTS' Management estimate is supported by an independent review of costs commissioned by UTS in late 2008.

UTS, Teck and Petro-Canada are respectively committed to pay $0.350 billion, $2.225 billion and $4.925 billion of the first $7.500 billion to fully earn their share of the Fort Hills Project. UTS forecasts that Fort Hills Project funding from the earn-ins will extend until at least the first half of 2011 based on the following assumptions:

- the Fort Hills Partnership's near term decision is to approve a 160,000 bbls/day mining and extraction project;
- PCOSI's capital forecast for 2009 of $0.450 - 0.550 billion;
- UTS' analysis of the preliminary capital estimate for the Fort Hills Project; and
- UTS' expectations with respect to overall Fort Hills Project budget reductions.

This provides UTS with funding for more than two years of Fort Hills Project expenditures assuming the Forts Hills Partners sanction the Fort Hills Project in late 2009 or early 2010 and that first bitumen production will occur in late 2013 or early 2014.

Development of the lands associated with the Frontier Project to the west of the Athabasca River reached another milestone as a significant portion of the bitumen resource was converted to contingent resources.

UTS engaged Sproule Unconventional Limited to prepare a report on resource data (the "Sproule Report") dated February 4, 2009, with an effective date of December 31, 2008, in which 1,550 million barrels for the Frontier Project were classified as Best Estimate Contingent Resources based on a mine pit utilizing a TV:BIP cut off of 12:1. The TV:BIP ratio measures the total volume of material (overburden and oil sands) relative to the volume of bitumen in place; it considers how much material must be removed to access the oil sands, as well as the ore grade. The mine pit analysis was provided by Norwest Corporation ("Norwest") pursuant to a report dated December 18, 2008.

In accordance with standard mining criteria and current industry practice, a pit utilizing a TV:BIP cut off of 16:1 was also developed to show incremental potential. The TV:BIP 12:1 cut-off parameter that the Energy Resources Conservation Board (the "ERCB") considers to be the minimum economic limit for surface mineable bitumen volume was established when long-term oil prices were not expected to be materially above US$20/bbl.

UTS believes other similar projects will use a TV:BIP economic cut-off limit of 16:1 or higher. In this respect, the Frontier Project will ultimately be developed incorporating economic cut-offs of TV:BIP 16:1 or higher and provide UTS significant added upside potential.

The 2008/2009 winter drilling season focused on delineating oil sands leases east of the Athabasca River, specifically in the Lease 421 Area. During last year's drilling season a total of five core holes encountered high grade oil sands in the McMurray Formation prompting UTS and Teck to extend the drill hole coverage and density this year.

With the 2009 drilling program complete, 44 of the core holes drilled this season encountered high grade oil sands within the McMurray Formation, increasing the drilling density to two core holes per section and reinforcing UTS' belief in the area's positive potential. Analysis of the 2009 wells to date is based solely on well logs and visual review of the available geological cores.

The 44 core holes that have encountered oil sands have thickness estimates of between 10 metres and 40 metres, and overburden thicknesses ranging from 7 metres to 70 metres. The results to date are indicative of a laterally continuous resource. Lease 421 Area is the third significant oil sands discovery after Frontier and Equinox, in UTS' exploration portfolio. This preliminary assessment of the Lease 421 Area will be followed by a future infill drilling program which, upon completion, is expected to provide an estimate of the contingent resource.

With respect to the Equinox Project, engineering progressed on the DBM throughout the second half of 2008 with substantial completion of the technical components achieved by year end. Initial owner reviews of the cost elements will commence in the first quarter of 2009 with completion expected early in the second quarter of 2009.

UTS and Teck jointly reached agreement on the Terms of Reference for the Environmental Assessment and Regulatory Application for both the Equinox and Frontier Projects with the respective Federal and Provincial Government regulators on February 11, 2009. This agreement coupled with the technical work in progress means that we should be in a position to file an application by late 2010 or early 2011.

Teck opened their office in Calgary during the second quarter of 2008 and, in accordance with prior agreement, assumed operatorship of the mineable assets (other than the Fort Hills Project) at the beginning of the third quarter of 2008. UTS had acted as the interim operator until this transition could be achieved. Teck has indicated they will commence initial scoping engineering and preliminary mine planning for the Frontier Project over the course of 2009.

UTS believes that application of Teck's mining background to operatorship of the mining assets will yield significant value to the portfolio. This will mark the first time that a mining company has had the opportunity to develop an oil sands project in the same methodical and cost conscious manner as applied to other parts of their portfolio.

The benefits of Teck's involvement have already been evident in the value added results emerging from the extraction trials being piloted at the pilot plant located at the SGS Canada Ltd.'s ("SGS") facility in the Fort McKay Industrial Park, north of Fort McMurray.

UTS' CASH AND EARN-IN AMOUNT

UTS' non-bitumen asset base includes a combination of cash on hand, receivables pending from the sale of a 50% working interest in the Equinox Project to Teck and the remaining earn-ins from the disposition of working interests in the Fort Hills Project to Petro-Canada and Teck.

Source As of December 31, 2008	Cash/Earn-In Amount in millions	Cash/Earn-In Amount per share
Balance of Earn-in I and II[1]	$746	$1.57
Equinox Sale Proceeds Receivable	40	0.08
UTS Treasury	291	0.61

Note:

1. Teck and Petro-Canada are committed to spend a further $0.746 billion of the remaining earn-in II on behalf of UTS. On UTS' behalf, Teck and Petro-Canada have spent $0.654 billion of the $1.4 billion of earn-ins I and II since the inception of the Fort Hills Partnership in March 2005.

OIL SANDS LEASE HOLDINGS

UTS currently holds 376,085 gross acres of oil sands leases, with an average working interest of 45%. This includes 12,220 net acres associated with the Fort Hills Partnership and 157,494 net acres outside the Fort Hills Project, as detailed in the following table.

Oil Sands Leases	Total Acreage	UTS Working Interest	UTS Net Acreage	UTS Net Hectares
Fort Hills Project	46,698	20%	9,340	3,736
Fort Hills Partnership	14,400	20%	2,880	1,151
Subtotal (Fort Hills)	61,098	20%	12,220	4,887
Equinox Project	7,147	50%	3,574	1,430
Frontier Project	65,280	50%	32,640	13,056
Exploration Area (West of the Athabasca River)	94,080	50%	47,040	18,816
Exploration Area (East of the Athabasca River)	148,480	50%	74,240	29,696
Subtotal (Leases Outside Fort Hills)	314,987	50%	157,494	62,998
Total Leases	376,085	45%	169,714	67,886

2008 HIGHLIGHTS

CONTINGENT BITUMEN RESOURCES

UTS engaged Sproule to prepare the Sproule Report, dated February 4, 2009, which included a geological evaluation of the Fort Hills Project and the Frontier Project and an audit of the Equinox Project. Sproule also reviewed the methodology used to estimate these volumes based on the current mine plan for the Fort Hills Project, and the preliminary pit designs for the Frontier and Equinox Projects.

UTS Energy Contingent Bitumen Resources as of December 31, 2008[1&5]

Project	Project Millions of Barrels			Net to UTS Millions of Barrels		
	Low[2]	Best[3]	High[4]	Low[2]	Best[3]	High[4]
Fort Hills	2,100	3,880[6]	4,350	421	776	870
Frontier	980	1,550	2,550	490	774	1,275
Equinox	230	330	380	114	166	189

Notes:

1. The term "contingent resources" is taken from the COGEH. The volumes listed in the chart above entitled, "Contingent Bitumen Resources" refer to potentially recoverable volumes of asphaltene reduced bitumen resources. The volumes of contingent bitumen resources in the above chart were calculated at the outlet of the proposed extraction plant. There is no certainty that it will be commercially viable to produce any portion of the contingent bitumen resources.
2. This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
3. This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
4. This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
5. Based on Form 51-101 F2 resources effective December 31, 2008 and dated February 4, 2009, figures that were evaluated or audited by Sproule and were estimated using paraffinic froth treatment.
6. The current FEED mine plan is the basis of the Best Estimate for the Fort Hills Project.

The preparation and disclosure of the reported resource estimates are the responsibility of the Company's management with approval by the Company's Audit and Reserves Committee. Sproule's responsibility is to express an opinion on the bitumen-in-place and contingent bitumen resources data based on the evaluation or audit. Sproule carried out the evaluation or audit in accordance with standards established by the Canadian Securities Administrators within NI 51-101. Those standards require that the bitumen-in-place and contingent resources data be prepared in accordance with the COGEH.

Contingent resources are defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") as "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies". Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

There is no certainty that any of the Fort Hills Project, the Equinox Project or the Frontier Project will produce any portion of the volumes currently classified as "contingent resources". The primary contingencies which currently prevent the classification of the contingent resources disclosed in the table above as reserves consist of: current uncertainties around the specific scope and timing of the development of each of the Fort Hills Project, the Equinox Project and the

Frontier Project; lack of regulatory approvals for certain aspects of such projects; the uncertainty regarding marketing plans for production from the subject areas; improved estimation of project costs; commodity price fluctuations; in the case of the Fort Hills Project, the acceptance within the Fort Hills Partnership of the updates to the Fort Hills Project scope, timing, cost estimates and final board of directors approval of each of the Fort Hills Partnership general and limited partners; and those other risks and contingencies described elsewhere in this document and under "Risk Factors" in UTS' annual information form dated March 24, 2009 for the year ended December 31, 2008 and filed under UTS' profile at www.sedar.com. There is no certainty that it will be commercially viable for UTS to produce any portion of the contingent resources on any of the above mentioned properties.

Norwest provided UTS and Teck with a pit shell analysis for the Frontier Project pursuant to a report dated December 18, 2008. Utilizing standard mining criteria, Norwest developed preliminary TV:BIP mine pits with a cutoff of 12:1 and 16:1. The ERCB considers TV:BIP 12:1 to be the minimum economic limit for surface mineable bitumen volumes.

The TV:BIP ratio measures the total volume of material (overburden and oil sands) relative to the volume of bitumen in place; it considers how much material must be removed to access the oil sands, as well as the ore grade.

Given the prevailing cost/revenue environment in the oil sands industry, a TV:BIP 16:1 pit was also developed to show the incremental potential for the area. For the Equinox and the Frontier Projects, the "Best" and "High" estimates calculated by Sproule and summarized in the table above are based on the mine pits developed by Norwest using a TV:BIP cut-off of 12:1 and 16:1 respectively.

The TV:BIP 12:1 cut-off parameter that the ERCB considers to be the minimum economic limit for surface mineable bitumen volume was established when long-term oil prices were not expected to be materially above US$20/bbl. UTS believes that long-term oil prices will be materially higher in the future than spot prices today, and given this outlook the TV:BIP 16:1 pit referred to above was developed.

A regulatory application submitted to the ERCB for other leases has employed a TV:BIP cut-off of 18:1.

UTS estimates that project operating costs would increase by approximately $2.00 to $3.00 per incremental barrel of bitumen produced in moving to a mine plan with a TV:BIP cut-off of 16:1 from that of 12:1. As a result, an increase in oil prices of approximately $3.00 to $4.00 per barrel would justify the development and execution of a mine plan with a 16:1 vs. a 12:1 cut-off. UTS notes that for the Fort Hills Project, even with a higher cut-off limit, the average expected TV:BIP over the life of the Fort Hills Project is approximately 12:1.

UTS believes the Frontier Project and Equinox Project will ultimately be developed incorporating economic cut-offs of TV:BIP 16:1 or higher, providing UTS with significant added upside potential should oil prices rise above current levels and should UTS' activities on its exploratory lands continue to show positive results.

UTS has completed a preliminary drilling program on Leases 610 and 840, which constitute the northern extension of the Frontier Project, but additional infill drilling is required to fully define the resource potential in this area.

DELINEATION AND EXPLORATION DRILLING PROGRAM UPDATE

UTS DRILLING PROGRAM SUMMARY

The 2008 winter season was the third year in which UTS, together with Teck, conducted an extensive and successful core hole drilling program. The chart below summarizes the drilling activities conducted jointly with Teck during the past three winter seasons as well as the drilling that was recently completed during the 2008/2009 winter season.

UTS' share of the exploration drilling and delineation costs for the current season will be funded via proceeds of the remaining $40 million receivable from the 2007 sale of 50% of the Equinox Project to Teck.

UTS Drilling Program	Core Holes Drilled Prior to 2008/2009 Season	Core Holes Drilled During 2008/2009Season	Total Core Holes Drilled
West of the Athabasca River			
Equinox Project (Lease 14)	124	-	124
Frontier Project (Leases 311, 468, 470, 477, 610, & 840)	398	-	398
Leases 514 & 513	20	-	20
Leases 469 & 471	1	-	1
Leases 611, 614, 615 & 915	4	-	4
East of the Athabasca River			
Lease 509, 510, 511 & 837	15	-	15
Leases 422 & 423	5	3	8
Lease 421, 022 & 023	5	54	59
Total	572	57	629

EXPLORATION AREA WEST OF THE ATHABASCA RIVER
(Leases 003, 469, 471, 513, 514, 611, 614, 615, and 915)

The scope of previous core hole programs and the program recently completed during the 2008/2009 winter season are highlighted in the above table. Using results from previous years' drilling, UTS has planned successive programs to capitalize on preliminary exploration leads and, over a period of approximately two years, drill to a sufficient density to establish firm resource estimates.

In addition, seven wells with depths of between 500 and 640 metres were drilled during the first quarter of 2008 and 100 km of 2D seismic field data acquired to evaluate the prospectivity of in situ Leases 469, 471, 513, 611, 614, 615 and 915 along the eastern edge of the Birch Mountains. Integration of the well data and the seismic data was completed during the third quarter of 2008 and, based upon those results, Lease 003 was acquired jointly with Teck at the November 19, 2008 land sale. Lease 003 is contiguous with, and to the west of, Leases 471 and 611. No drilling activity was planned for the in situ leases during the 2008/2009 winter season.

EXPLORATION AREA EAST OF THE ATHABASCA RIVER
(Leases 022, 023, 421, 422, 423, 509, 510, 511 and 837)

During the 2006/2007 winter season, UTS, on behalf of itself and Teck, conducted a small exploration drilling program, comprising 20 core holes, to provide an initial evaluation of the resource potential of the leases on the east side of the Athabasca River.

A further exploration drilling program comprising five core holes was conducted during the 2007/2008 winter drilling season to determine the bitumen resource potential associated with

Lease 421 located east of the Firebag River, immediately to the northeast of the Total operated Northern Lights leases.

All five core holes encountered oil sands within the McMurray Formation, with net oil sands thicknesses of between 10 metres and 25 metres. Over these intervals the average bitumen saturations are between 12% and 15% by weight with overburden thicknesses ranging from 20 metres to 55 metres.

On July 17, 2008, the Company announced that it had acquired a 50% interest in Leases 022 and 023, comprising a total area of 21,760 acres, for approximately $5 million. These leases are contiguous with and north of Lease 421 and, as with Lease 421, are jointly owned on a 50:50 basis with Teck. Collectively Leases 421, 022 and 023 are now referred to as the Lease 421 Area.

Delineation drilling of the Lease 421 Area was completed in late February 2009 with 54 core holes drilled, out of a total of 55 planned for this season. As a result, 29 sections of the Lease 421 Area have been drilled to an average density of approximately two core holes per section. Forty-four of the core holes drilled this season encountered high grade oil sands within the McMurray Formation, reinforcing UTS' positive belief in the area's potential. Analysis of the 2009 wells to date is based solely on well logs and visual review of the geological cores.

Including results from the five core holes previously drilled in the Lease 421 Area during the 2007/2008 season, a total of 49 core holes have encountered oil sands with thickness estimates of between 10 metres and 40 metres, and overburden thicknesses ranging from 7 metres to 70 metres.

With the 2009 drilling program complete, preliminary analysis of the results indicates a laterally-continuous resource, and a significant oil sands discovery in the Lease 421 Area. Results of the laboratory analyses and the independent geological and engineering evaluation will be available in the fourth quarter of 2009 and will confirm the extent and quality of this resource. This preliminary assessment of the Lease 421 Area will be followed by a future infill drilling program which, upon completion, is expected to provide an estimate of the contingent bitumen resource.

FORT HILLS PROJECT
(Lease T05, T52 and 008)

The Fort Hills Project comprises oil sands Leases T05, T52 and 008 (the "Fort Hills Project Leases") totalling 46,698 acres, located 90 kilometres north of Fort McMurray in the main Athabasca oil sands fairway. UTS holds a 20% interest in the Fort Hills Project Leases (9,340 acres). Please note, in accordance with the Fort Hills Lease Substitution Agreement dated March 20, 2009, the Oil Sands Lease Number associated with Lease T05 has now been substituted with Oil Sands Lease Number 9404080933 and the Oil Sands Lease Number associated with Lease T52 has now been substituted with Oil Sands Lease Number 9404080932. However for ease of reference, UTS has continued to use Leases T05 and T52 in this document.

FORT HILLS PROJECT - Project Engineering & Cost Estimates

The Fort Hills Project's FEED studies advanced during 2008 on the basis of production of 140,000 bbls/day of synthetic crude oil with feed of approximately 160,000 bbls/day of bitumen. Orders were placed for many long lead items, including the major process vessels and mining equipment. An agreement was signed with Enbridge Inc. to develop dilbit, product and diluent pipelines to connect the mine and bitumen production plant with the planned Upgrader and Enbridge's terminal near Edmonton. Early works at the mine progressed throughout the year with significant progress achieved in grading, piling and initial foundation works.

During the third quarter of 2008, PCOSI, as operator of the Fort Hills Project, proposed a revised capital cost estimate of $25.3 billion (including expenditures to date) for the first phase of the

integrated Fort Hills Project as compared with the previous estimate of $15.2 billion. The magnitude of the increase in this estimate was unexpected, with the largest increase experienced in direct labour costs, indirect costs and owner's costs. These increases appear to have been driven largely by the overheated northern Alberta labour market. Although cost certainty was obtained with the completion of FEED, there was a substantial increase in both contingency and escalation. A lower level of contingency and escalation would usually be expected after the FEED phase. This increase is attributed to conservatism based on availability and productivity of labour.

The Fort Hills Partnership did not approve the cost estimate and PCOSI has initiated a dedicated project to examine options to reduce the capital cost intensity. As a first step, the Fort Hills Partnership has agreed to defer a decision on building the Sturgeon Upgrader indefinitely. The cost reduction efforts are focused on the following areas:

- completeness and accuracy to ensure that no duplication is present;
- rebidding and negotiation of contracts to better reflect the current business environment; and
- examination of project scope, execution strategy and class of design.

A revised cost estimate for the mining and extraction project is expected by the fall of 2009, following completion of the review. In the interim, all design and construction activities have been scaled down pending acceptance of a revised cost estimate by the Fort Hills Partnership.

On the Sturgeon Upgrader, PCOSI has cancelled all engineering work and the large majority of equipment orders and is proceeding to negotiate and mitigate cancellation charges. A few long lead items will be completed and mothballed as they are already close to completion. The Upgrader site will be placed in a safe custody mode until such time as a final decision is reached by the Fort Hills Partnership. There is currently no timeline for this decision.

The availability of skilled personnel, particularly in respect of trades such as welders and electricians, is expected to present less of a challenge to the successful execution of major projects in Alberta over the near term. This change is expected to factor favourably into the revised cost estimate.

The Fort Hills Partnership does not yet have a definitive cost estimate for the 160,000 bbls/day stand-alone mine, bitumen production plant and infrastructure, however it is UTS' view that the costs associated with the mining and extraction project would be in the range of $8.5 billion - $10.5 billion (this includes contingency and escalation, but excludes sunk costs of $2.5 billion). UTS' corresponding funding requirements, after the current earn-ins from Petro-Canada and Teck and cash on hand have been spent, based on this preliminary estimate would be between $0.7 and $1.1 billion (excluding fees and capitalized interest).

Given the status of the Fort Hills Project and the suspension of engineering and construction activities, UTS believes sanction will occur in late 2009 or early 2010 and that first bitumen production will occur in late 2013 or early 2014.

FORT HILLS PROJECT - Regulatory Approvals

The major permits and approvals to proceed with development of a mine and bitumen production facilities with production of up to 190,000 bbls/day of partially de-asphalted bitumen were granted by the Government of Alberta in December 2002.

In December 2006, PCOSI, on behalf of the Fort Hills Partnership, filed an application with the ERCB and Alberta Environment ("AENV") to construct, operate and reclaim a 340,000 barrels per stream day oil sands bitumen upgrader referred to as the Sturgeon Upgrader. The ERCB decision report was received in January of 2009, whereby the ERCB found the Sturgeon Upgrader to be in the public interest and recommended that it be approved by the Government of

Alberta. Formal regulatory approval normally follows within 60 days of the ERCB recommendation and is expected in the first quarter of 2009. The approval for the Upgrader expires by December 31, 2010 unless an extension is requested.

On July 27, 2007, PCOSI filed a revised application with the ERCB and AENV to amend the existing mine approval to be consistent with the FEED design basis. On October 27, 2008, the ERCB issued conditional approval for most aspects of the proposed mine amendment. On November 5, 2008, the Company was notified by PCOSI that the ERCB had rendered its final regulatory decision allowing construction of the extraction facilities to proceed without a further hearing.

The decision, which is subject to receipt of a final Order in Council from the Government of Alberta approving the decision, provides for the required revision to the tailings storage area footprint to enable construction to proceed. Expansion of the mine plan and an increase in the total recoverable resource to 3.9 billion barrels is conditional on submission and approval of a revised mine plan, coupled with an assessment of the environmental effects, both to be submitted prior to December 31, 2009. Requests to remove specific conditions in the original approval surrounding area disturbances and reclamation liability were denied.

In March of 2009, PCOSI, on behalf of the Fort Hills Partnership agreed with Alberta Energy on a Fort Hills Lease Substitution Agreement to extend the term of Fort Hills Project Leases T05 and T052 and remove the development milestones that were previously associated with the original Lease Agreements. The extension and removal of milestones was provided in exchange for a commitment to upgrade bitumen production within Alberta from Phase II of the Fort Hills Project. Under the terms of the Fort Hills Lease Substitution Agreement, upgrading capacity for bitumen from Phase II could be direct ownership of facilities, equity in a corporate body, trust or partnership, or joint venture, or an agreement, having a fixed term of 10 years or longer, securing upgrading capacity in an Alberta upgrader. The terms of the new leases will run through to July 31, 2019. In the event that the Fort Hills Project does not meet the terms of the Fort Hills Lease Substitution Agreement, the Fort Hills Partnership will pay the Province of Alberta damages for lost provincial revenue that could total $500 million.

FORT HILLS PROJECT - Funding

The deferral of Fort Hills Project work has been reflected in the revised capital expenditure forecast of $440 - 550 million for 2009 on a gross basis, with the UTS share being in the range of $22 - $27 million. The Fort Hills Partnership has only approved $215 million of the 2009 budget at this stage and UTS believes that continued downward pressure on costs and expenditure will result in total expenditure for the year less than $400 million.

UTS, Teck and Petro-Canada are respectively committed to pay $0.350 billion, $2.225 billion and $4.925 billion of the first $7.500 billion to fully earn their share of the Fort Hills Project. Given the following inputs, UTS forecasts that Fort Hills Project funding from the earn-ins will extend until at least the first half of 2011:

- Fort Hills Partnership's near term decision to approve a 160,000 bbls/day mining and extraction project;
- PCOSI's capital forecast for 2009;
- UTS' analysis of the preliminary capital estimate for the Fort Hills Project; and
- UTS' expectations with respect to overall project budget reductions.

This provides UTS with funding for more than two years of project expenditures assuming fourth quarter 2009 sanction. UTS expects that sanctioning of the Fort Hills Project will occur when the global economic environment stabilizes and project economics are more robust.

Fort Hills Partnership Commitment for First $7.5 Billion

	Partner Interest After Earn-ins Percent	Partnership Commitment to First $2.5 Billion	Partnership Commitment to Next $5.0 Billion	Partner Commitments
Petro-Canada (Operator)	60%	$1,550	$3,375	$4,925[1]
Teck	20%	850	1,375	2,225[2]
UTS Energy Corporation	20%	100	250	350
Total:	100%	$2,500	$5,000	$7,500

Notes:

1. Includes Petro-Canada's earn-in funding of $0.675 billion of which $0.300 billion has been spent on UTS' behalf and a further $0.373 billion is committed to UTS' funding of the next $5.0 billion.
2. Includes Teck's earn-in funding of $0.725 billion of which $0.354 billion has been spent on UTS' behalf and a further $0.373 billion is committed to UTS' funding of the next $5.0 billion

Fort Hills Partnership Spend

(C $millions except percentages)	Approximate Contribution Percent of First $7,500 of FHP Project Spend	Approximate Contribution Percent of Phase I FHP Project Spend	Partner Interest After Earn-in Percent	Fort Hills Partnership Incurred Expenditures Since Inception Until December 31, 2008
Petro-Canada (operator)	65%	63%	60%	$1,566
Teck	30%	25%	20%	857
UTS Energy Corporation	5%	12%	20%	101
Total:	100%	100%	100%	$2,524

Included in the cumulative spending of $2.524 billion to December 31, 2008, the Fort Hills Partners on UTS' behalf spent $0.654 billion, with $0.300 billion and $0.354 billion contributed by Petro-Canada and Teck respectively. This completes the Fort Hills Partners' committed funding for earn-in I for the first $2.5 billion of the Fort Hills Project's expenditures. Petro-Canada and Teck are committed to spend a further $0.746 billion on behalf of UTS to fulfill their remaining commitment to earn-in II on the next $5.0 billion of expenditures.

In compliance with generally accepted accounting principles none of the $1.4 billion of earn-ins I and II are reflected on UTS' Balance Sheet as an asset. However, UTS will receive 20% of the cash flows upon commencing operations for its 20% working interest even though the Company will contribute less than 20% of the Fort Hills Project's expenditures as determined by the final cost of Phase I of the Fort Hills Project. This significantly enhances UTS' economic return in the Fort Hills Project.

The terms of the Fort Hills Partnership Agreements provide that if the Fort Hills Partnership were to determine that the Fort Hills Project will not proceed, which would be a decision requiring unanimous agreement amongst the Fort Hills Partners, UTS would be entitled to the remaining amount of Petro-Canada's earn-in of $0.373 billion and Teck's earn-in of $0.373 billion unless costs have exceeded $7.5 billion. The Amended Limited Partnership Agreement provides a covenant that each of Petro-Canada and Teck shall contribute a disproportionate share of the first $7.5 billion spend on the Fort Hills Project. Default of the contribution is a breach of the Agreement. Further, if a Fort Hills Partner defaults in its obligations the remaining partners have the right to take a portion of the defaulting partner's working interest in the Fort Hills Project.

UTS continues to assess a number of configurations and timing of capital expenditures to arrive at the best combination for meeting its funding requirements beyond the first $7.5 billion. These financing options include borrowings both in the public and private banking/bond market, equity, and asset transactions.

Prior to finalising any capital plan, the scope, configuration and cost of the final project scope must be finalised. As mentioned previously, UTS does not expect Fort Hills Partnership agreement on this factor until the second half of 2009 at the earliest.

FORT HILLS PARTNERSHIP LEASES

(Leases 437, 438 and 634)

In addition to the leases that make up the Fort Hills Project, the Fort Hills Partnership holds Leases 437, 438 and 634 to the northeast of the Fort Hills Project Leases with a total area of 14,400 acres. UTS' working interest is 20%. During the 2005/2006 and 2006/2007 winter drilling seasons, a total of 99 core holes were drilled to assess the resource potential of these leases.

The results of this program suggest that the resource potential of these leases is limited. As such, these leases are expected to provide additional planning flexibility for the development of the Fort Hills Project Leases. Several options are being considered by the Fort Hills Partnership.

EQUINOX PROJECT

(Lease 14)

The Equinox Project, comprising 7,147 acres owned equally by UTS and Teck is located across the Athabasca River directly west of the northern boundary of the Fort Hills Project and bisects oil sands leases associated with the proposed Pierre River Mine operated by Shell. The drilling density of approximately one core hole per legal subdivision over the prospective eight sections was sufficient to establish a contingent resource estimate at the end of 2007.

A DBM engineering study was initiated in the second quarter of 2008 to advance scoping studies completed in 2007 to the next stage of definition. The objective of the DBM is to evaluate the potential of the lease as a stand-alone bitumen production facility and produce a Class IV (+30/-15%) cost estimate. The DBM results for the stand-alone case are now expected late in the first half of 2009. The potential to develop the Equinox Project as a satellite bitumen froth production facility to the Frontier Project is also being considered and will be the subject of future mine planning activities.

EQUINOX PROJECT - Project Activities

UTS and Teck are assessing the potential for developing a small scale commercial oil sands operation on the Equinox Project. A Public Disclosure Document released on March 25, 2008 described the Equinox Project and initiated the regulatory process. An Aboriginal Consultation Plan for Equinox was also prepared and accepted by the Alberta Government.

Proposed Terms of Reference for an Environmental Impact Assessment were prepared by UTS and Teck and published for public comment by the regulatory authority. On February 11, 2009 Alberta Environment issued the final Terms of Reference.

Work is proceeding on development of water management plans, baseline archeological assessment, hydro-geological investigations and monitoring for groundwater impact assessment to support the mine application for the Equinox Project.

Scoping studies completed in 2007 suggested that a stand-alone mine and extraction plant with production capacity in the order of 50,000 bbls/day of partially de-asphalted bitumen could be economically viable, with earliest plant operation by 2016.

Two independent engineering companies who formed a joint venture, along with Norwest, are expected to complete the DBM and associated cost estimate during the first half of 2009.

The Equinox Project team is also co-operating with adjacent leaseholders to plan for all weather access to the area. In parallel, studies are in progress to assess alternatives to reduce the environmental footprint of oil sands mining operations and address the requirements of the new ERCB Tailings Directive.

Stakeholder consultation on the Equinox Project is ongoing. This includes regular update meetings with key stakeholder groups. Open houses have been held in Fort MacKay and Fort Chipewyan to review these projects and gather community concerns.

UTS and Teck plan to complete final hydrogeological drilling and testing during the 2009/2010 winter season prior to filing a development application in late 2010 or early 2011. The decision to both file an application and complete the drilling activity is dependent on partner agreement on economic returns, portfolio development timing and financing.

At present, no decisions have been made regarding product quality specifications, marketing and transportation arrangements, or joint development with other area operators. In parallel with the above activities, UTS continues to assess other strategic options for maximizing the value of the Equinox Project.

Planned Equinox Project activities for 2009 will be funded via proceeds of the remaining $40 million receivable from the 2007 sale of 50% of the Equinox Project to Teck.

FRONTIER PROJECT
(Leases 311, 468, 470, 477, 610, and 840)

The Frontier Project, comprising 65,280 acres is owned equally by UTS and Teck. The Frontier Project is located on the west side of the Athabasca River, thirteen kilometres to the north of the Equinox Project and the Shell operated Pierre River Project.

Analysis of the cores from the 2008 winter season drilling program confirmed the gross trends and features from the previous year's program. The increased drilling density was sufficient to provide a best estimate contingent resource of 1,550 million barrels as described above in the section entitled "2008 Highlights - Contingent Bitumen Resources".

In the northern part of the Frontier Project area, drilling also confirmed the extension of the oil sands trend into Lease 610, where a total of 30 core holes were drilled. The planned delineation drilling program for Lease 610 in the 2009 winter season has been deferred until the following season to align work with the ground water program.

UTS and Teck are assessing development options for an oil sands mine and bitumen production facility with an estimated production capacity of 160,000 bbls/day. A Public Disclosure Document released on March 25, 2008 describes the Frontier Project and initiated the regulatory process.

Operatorship for the Frontier Project was assigned to Teck mid-2008 in concurrence with the original purchase arrangements for the land. UTS had until that point acted as the interim operator while Teck formed their operational team.

FRONTIER PROJECT – Project Activities

Environmental baseline studies were conducted during 2008 and included collection of data related to wildlife, vegetation, soils, groundwater, historical resources and archaeology in the area. Final collection of groundwater data from off lease sites cannot be undertaken until completion of scoping engineering studies during 2009 to locate the proposed facilities.

Seventeen geo-technical auger holes were drilled to evaluate overburden characteristics. In addition a further 20 cores from the core hole drilling program were evaluated to determine geo-technical conditions associated with the ore zone and underlying pit floor.

The geological model has been updated with results from the 2008 winter season core holes and an initial mining assessment has been completed. Development of a preliminary mine plan and scoping engineering study will be completed by Teck during the first half of 2009 using a combination of in house and externally contracted resources.

UTS and Teck consulted with government regulators and the local communities of Fort McKay and Fort Chipewan throughout 2008 and prepared Proposed Terms of Reference for an Environmental Impact Assessment and Regulatory Application. Formal approval of the Environmental Impact Assessment's Terms of Reference was received February 11, 2009. The Alberta Government has also accepted UTS' Aboriginal Consultation Strategy for the Frontier Project and public consultation has been initiated with local communities.

UTS and Teck jointly intend to initiate a DBM for the Frontier Project commencing in the fourth quarter of 2009 with the ultimate goal of preparing a regulatory application to be filed either late 2010 or early 2011. The completeness of the application is dependent on collection of final ground water data during the 2009/2010 winter season to finalize the Environmental Impact Assessment.

At present, no decisions have been made regarding quality specifications, marketing and transportation arrangements, or joint development with other area operators. Activities through to the fourth quarter of 2009 will be funded via proceeds receivable from the 2007 sale of 50% of the Equinox Project to Teck.

FROTH TREATMENT PILOT PLANT

Testing at the SGS Fort McKay extraction and froth treatment pilot plant is proceeding. Initial commissioning and test runs through the extraction plant were completed during the latter half of 2008. UTS and Teck expect to complete commissioning of the froth treatment facility during the first quarter of 2009. The final objective is to secure proprietary froth treatment technology to be utilized on all future UTS and Teck development projects.

CURRENT OPERATIONS

UTS is a development stage enterprise whose main activities are the development of its extensive oil sands leases. At this time, UTS does not have any production revenue, and is not expected to, until production commences at the Fort Hills Project. The Company's financial results are reported in Canadian dollars based on Canadian generally accepted accounting principles ("GAAP").

UTS' net (loss) for the quarter ended December 31, 2008 was $(10,577,328) or $(0.02) per share, compared with a net income of $10,398,637 or $0.02 per share, for the same period in 2007. The net (loss) for the year ended December 31, 2008 was $(11,899,153) or $(0.03) per share, compared with a net income of $137,371,596 or $0.32 per share for the same period in 2007. Significant items included in the determination of the net earnings (loss) and the changes between the comparative periods are described below.

As a development stage entity with no operating revenues as yet, UTS typically reports losses each year. The gain on disposition of oil sands interests was the primary reason for the net income in 2007 which consisted primarily of the disposition of 50% of the Equinox Project to Teck. On April 19, 2007, the Company had announced that it had entered into a letter of intent under which Teck would acquire a 50% working interest in the Equinox Project for approximately $200 million. The price was based on a value of $1.00 per barrel and an assumed bitumen resource of approximately 400 million barrels. The transaction provided for a final adjustment to take place once the full analysis on the Equinox Project drilling results was complete, which occurred in the fourth quarter of 2007. Subject to this potential adjustment, this transaction closed on June 28, 2007. As announced by the Company on December 3, 2007, a third party resource estimate fixed the transaction volume at 400 million barrels. The sale price was to be received in three instalments as follows:

i. 60% of the base price of $200 million, or $120 million, less the loan balance of $79.4 million owing by UTS to Teck. This payment, totaling $40.6 million, was received on the closing date of June 28, 2007;

ii. $40 million, which was due and received on June 28, 2008; and

iii. $40 million, which comes due on June 28, 2009.

As required by the new Canadian GAAP regarding financial instruments, the final two instalments of proceeds were discounted by $5.2 million at a rate of 4.5% over the time remaining to their respective due dates. Accretion of the discount has been recognized as follows and is included with interest income on the statement of operations.

Discount remaining to be accreted at June 28, 2007	$5,202,545
Accretion	(1,734,928)
Discount remaining to be accreted at December 31, 2007	3,467,617
Accretion	(2,594,600)
Discount remaining to be accreted at December 31, 2008	$ 873,017

The discounted proceeds on the disposition were therefore $194,797,455 and the resultant gain on disposition was $184,215,355.

The loss reported for the year ended December 31, 2008 is higher than anticipated, due primarily to: i) the write off of $5,266,560 of certain Fort Hills Project property, plant and equipment, which has arisen as a result of the deferral of the final investment decisions on both the mining and upgrading portions of the Fort Hills Project and which has been included in depreciation and amortization expense in the Statement of Income (Loss); ii) and the estimated termination costs for certain Fort Hills Project equipment supply and service agreements totaling $8,356,000, which has been included in other expense in the Statement of Income (Loss) for the year. Refer to the section of this MD&A entitled "Fort Hills Project – Project Engineering & Cost Estimates" for further information surrounding activities currently being undertaken with regard to the Fort Hills Project.

UTS had also commenced preliminary financing activities during the latter half of 2008. A number of independent engineering consulting firms had been engaged to work with UTS and its banking group towards financing its share of Phase I of the Fort Hills Project. As a result of the cost review currently being undertaken by PCOSI, operator of the Fort Hills Project, and the resultant delay in a final investment decision being taken by the Fort Hills Partners, costs incurred in this regard to date, totaling $962,487, have been written off as Other Expense in the Statement of Income (Loss) for the year ended December 31, 2008.

Interest income increased over the prior year as a result of higher average invested cash balances in 2008 over 2007. Interest income from investments totalled $10,272,161 and $5,636,026 for the years ended December 31, 2008 and 2007, respectively. Rates of return on invested funds held during 2008 were actually lower than 2007 as a result of lower market returns generally and the implementation of a more conservative investment policy in late 2007. As a result of completion of the November 2007 equity financing, the cash and cash equivalents held by the Company increased by approximately $264 million; therefore the invested cash balance was significantly higher during 2008 than it was until November 2007, which resulted in higher interest income for the 2008 fiscal year. Additionally, accretion of the non-interest bearing sales proceeds receivable from the disposition of 50% of the Equinox Project noted above of $2,594,600 (2007 - $1,734,928) has been included as interest income.

General and administrative expenses ("G&A") pertain to the Company's corporate operating expense. During the fourth quarter of 2008, G&A expensed totalled $2,881,973 compared to $3,724,298 for the fourth quarter of 2007. G&A expensed for the year ended December 31,

2008, totalled $13,569,542 compared with $14,690,865 for 2007. Included in G&A costs for the years ended December 31, 2008 and 2007 are the Company's share of G&A costs which have been incurred by the Fort Hills Partnership and are not considered direct expenses of the Fort Hills Project totalling $1,121,560 and $539,160, respectively. As the Fort Hills Partnership increases its staff and its complexity as it proceeds further along in the development of the Fort Hills Project, certain costs will be incurred which, although required legally or administratively, are not directly related to the development of the Fort Hills Project and are therefore expensed.

Stock based compensation included in the G&A which has been expensed totalled $2,286,093 and $1,367,620 for the quarters ended December 31, 2008 and 2007, respectively, and totalled $6,883,216 and $7,698,020 for the years ended December 31, 2008 and 2007, respectively. Therefore, cash G&A expensed totalled $595,880 and $2,356,678 for the quarters ended December 31, 2008 and 2007, respectively, and totalled $6,686,326 and $6,992,845 for the years ended December 31, 2008 and 2007, respectively. The decrease in overall G&A was largely due to the lower staff bonuses in 2008 versus 2007, which management and the Board of Directors felt appropriate despite the sustained level of corporate activity and staff complement surrounding corporate activities regarding the Fort Hills Project and UTS' other lease interests. G&A which is directly attributable to exploration and development activities is capitalized to property, plant and equipment. The total amount of G&A capitalized to property, plant and equipment during 2008 and 2007 totalled $10,865,442 and $11,053,345, respectively. Once again, the decrease in amount of G&A capitalized in 2008 versus 2007 was due largely to lower staff costs due to lower labour costs in 2008 over 2007, despite a sustained level of corporate activity and staff complement involved with exploration and development activities. Included in G&A capitalized for the years ended December 31, 2008 and 2007 is stock-based compensation of $6,073,502 and $4,737,214 respectively. G&A recoveries from the Fort Hills Project and Teck for the years ended December 31, 2008 and 2007 totalled $1,955,447 and $2,188,530, respectively.

(C $thousands) G&A	**Quarter ended December 31, 2008**	Quarter ended December 31, 2007	**Year ended December 31, 2008**	Year ended December 31, 2007
Total G&A expensed	**$2,881,973**	$3,724,298	**$13,569,542**	$14,690,865
Stock-based compensation expense	**2,286,093**	1,367,620	**6,883,216**	7,698,020
Cash G&A expensed	**$595,880**	$2,356,678	**$6,686,326**	$6,992,845
Total G&A capitalized	**$2,051,210**	$3,707,815	**$10,865,442**	$11,053,345
Stock-based compensation capitalized	**1,247,165**	1,313,645	**6,073,502**	4,737,214
Cash G&A capitalized	**804,045**	2,394,170	**4,791,940**	6,316,131
G&A recoveries	**(433,976)**	(867,705)	**(1,955,447)**	(2,188,530)
Net cash G&A capitalized	**$370,069**	$1,526,465	**$2,836,493**	$4,127,601

The sale of 50% of Lease 14 (Equinox) transaction with Teck made the Company taxable in 2007, resulting in an estimated current income tax liability of $6,350,000 for that year. The current year estimated tax loss will be carried back to 2007, thereby recovering approximately $5 million of the current taxes paid for fiscal year 2007. The remaining recovery recognized in the current year arose due to adjustment of the estimated taxes from the 2007 year to agree with the actual tax expense based upon assessment of the 2007 return.

The provision for future income taxes for the year ended December 31, 2008 was $2,204,938 compared with a provision of $31,756,252 for the year ended December 31, 2007. The utilization of a significant portion of the Company's tax pools as a result of the sale of 50% of the Equinox Project in June 30, 2007 was the primary cause of the future income tax expense for the year ended December 31, 2007 and the future income tax liability increase to $88,117,900 at December 31, 2007. At December 31, 2008, the future income tax liability has increased to $97,477,339 as a result of incurring expenditures with no tax basis and of recording the tax effect of renouncing $20.5 million in Canadian Exploration Expenditures to the Company's shareholders

who participated in the flow through share offering in November 2007. It should be noted that the $20.5 million raised via the November 2007 flow-through offering has been fully expended on qualifying Canadian Exploration Expenditures.

SELECTED FINANCIAL INFORMATION

Year ended December 31,	**2008**	2007	2006
Total assets	**$870,289,918**	$846,163,805	$ 444,926,308
Total long-term financial liabilities	**3,642,200**	1,479,600	63,598,430
Total revenues[1]	**12,871,561**	191,574,311	3,771,141
Cash dividends declared	**Nil**	Nil	Nil
Income (loss) from continuing operations:			
Total	**(11,899,153)**	137,371,596	6,476,155
Basic per share basis	**(0.03)**	0.32	0.02
Diluted per share basis	**(0.03)**	0.31	0.02
Net income (loss):			
Total	**(11,899,153)**	137,371,596	6,476,155
Basic per share basis	**(0.03)**	0.32	0.02
Diluted per share basis	**(0.03)**	0.31	0.02

Note:

1. Reflects interest income only for all quarters with the exception of June 30, 2007 and September 30, 2007, during which a cumulative gain on disposition of oil sands lease interests totalling $184.2 million was recorded. UTS is a development stage enterprise and does not have any production revenue and will not, until bitumen production commences.

Two principal factors account for total assets having increased by approximately $425 million since December 31, 2006. Firstly, additional funds were received by the Company through a private placement of 2,496,000 flow-through shares in December 2006 at a price of $6.25 per share, for net proceeds of approximately $15 million and, on November 19, 2007, the Company completed a public offering on a bought deal basis of 41.8 million common shares at a price of $6.10 per share and 2.7 million common shares issued on a flow-through basis at a price of $7.60 per share, for total net proceeds of approximately $264 million. Secondly, the Company acquired working interests in additional oil sands leases in early 2007 totalling approximately $9 million, which were wholly funded by Teck until the closing of the transaction relating to the disposition of 50% of the Equinox Project to Teck. This sale transaction, which closed in June 2007, provided an additional $120 million in net proceeds to the Company, after repayment of the amounts owed to Teck for prior lease acquisitions.

Long term financial liabilities comprises UTS' share of the asset retirement obligation ("ARO") associated with the Fort Hills Project Leases and, at December 31, 2006 only, the loan payable to Teck arising from Teck's funding of UTS' portion of certain joint oil sands lease acquisitions. The ARO has increased over time as a result of revised cost estimates for the eventual site restoration of the Fort Hills Project's current disturbances, despite UTS' 10% decrease in working interest in the Fort Hills Project in 2007.

Interest income, which comprised total revenues during the years 2006 and 2008, increased over the last three years due to the additional funds injected as a result of the financings completed over the last three years. Gains on the disposition of oil sands lease interests have accounted for additional revenues of approximately $184 million in 2007.

The large increase in net income to $137.4 million in 2007 from $6.5 million for the year ended December 31, 2006 arose primarily as a result of the disposition of the oil sands leases previously discussed net of tax effects of estimated current income taxes payable for the year and increased future income tax as a result of utilizing existing tax pools to reduce current income taxes. For the year ended December 31, 2006, the Company reported a net income of $6.5 million versus a net loss of $6.6 million in 2005, primarily due to a reduction of future income tax expense, which arose largely as a result of reflecting the reduction in future income tax rates.

The loss in 2008 is larger than anticipated for the reasons noted above in the discussion of current operations, primarily the write offs relating to certain Fort Hills Project property, plant and equipment and contract termination costs.

Selected quarterly financial information of the Company for the last eight quarters follows:

Quarter ended	**Dec 31 2008**	**Sept 30 2008**	**June 30 2008**	**Mar 31 2008**	Dec 31 2007	Sept 30 2007	Jun 30 2007	Mar 31 2007
Total revenue[1]	**$ 2,347,948**	**$2,972,029**	**$3,250,880**	**$4,300,704**	$3,233,030	$1,810,443	$185,513,508	$1,017,330
Earnings (loss) from continuing operations:								
Total	**(10,577,328)**	**(936,997)**	**(819,128)**	**434,300**	10,398,637	(838,414)	127,285,620	525,753
Per share basis	**(0.022)**	**(0.002)**	**(0.002)**	**0.001**	0.024	(0.002)	0.298	0.001
Dilute per share basis	**(0.022)**	**(0.002)**	**(0.002)**	**0.001**	0.023	(0.002)	0.293	0.001
Net earnings (loss)[2]								
Total	**(10,577,328)**	**(936,997)**	**(819,128)**	**434,300**	10,398,637	(838,414)	127,285,620	525,753
Per share basis	**(0.022)**	**(0.002)**	**(0.002)**	**0.001**	0.024	(0.002)	0.298	0.001
Diluted per share basis	**(0.022)**	**(0.002)**	**(0.002)**	**0.001**	0.023	(0.002)	0.293	0.001

Notes:

1. Reflects interest income only for all quarters with the exception of June 30, 2007 and September 30, 2007, during which a cumulative gain on disposition of oil sands lease interests totalling $184.2 million was recorded. UTS is a development stage enterprise and does not have any production revenue and will not, until bitumen production commences.
2. The cumulative gain on oil sands lease interests of approximately $184.2 million resulted in the Company becoming taxable in 2007 resulting in an estimated current income liability of $6,350,000 and a future tax expense of $31,756,252.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PP&E") net additions totalled $121,964,296 in 2008 and $57,804,015 in 2007. Included as additions are non-cash amounts, consisting of (i) an upward adjustment of UTS' share of the asset retirement obligation associated with the Fort Hills Project, totalling $2,162,600 and $1,347,300 for the years ended December 31, 2008 and 2007, respectively; (ii) capitalization of stock-based compensation of $6,073,502 and $4,737,214 for the years ended December 31, 2008 and 2007, respectively; (iii) future income tax adjustments associated with capitalized stock-based compensation of $2,024,501 and $1,824,043 for the years ended December 31, 2008 and 2007, respectively; and (iv) for the year ended December 31, 2007, accretion amounts relating to the loan payable to Teck of $7,396,134.

PP&E net additions for the Fort Hills Project in 2008 and 2007 totalled $63,674,591 and $20,470,714, respectively. Included as additions during the years ended December 31, 2008 and 2007 are non-cash amounts, consisting of: (i) capitalization of stock-based compensation of $2,342,001 and $1,534,038 respectively; (ii) accretion/adjustment of UTS' share of the asset retirement obligation associated with the Fort Hills Project, totalling $2,162,600 and $1,347,300, respectively; and (iii) future income tax adjustments associated with capitalized stock-based compensation of $780,667 and $585,111. Capital expenditures incurred in 2008 and 2007 included the near completion of FEED engineering activities, rough grading of the north site, initial commitments on long lead equipment orders, continuing geological work on the leases to refine

selection of the optimal area for the opening cut, examining transportation options, payment of a Sturgeon County road levy associated with the Upgrader site, and ongoing care and custody activities associated with the leases. As noted previously, reference should be made to the section of this MD&A entitled “Fort Hills Project - Project Engineering & Cost Estimates” for further information regarding the current status of the Fort Hills Project. In the fourth quarter of 2008, $5,266,560 of PP&E was written off as it was deemed not likely to provide future benefit to the Fort Hills Project. With the introduction of Petro-Canada and Teck to the Fort Hills Partnership in 2005, the future development of the Fort Hills Project will depend on a tri-party decision making process. Certain decisions regarding the Fort Hills Project development and operations will require a majority vote of the partners and some fundamental decisions will require a special vote and in some cases, unanimity. Future plans of the Fort Hills Project will depend on agreement on fundamental decisions of the Fort Hills Partners to the Fort Hills Project. The Fort Hills Partners continue to be committed to retaining the Fort Hills Project Leases and proceeding with development of the Project once the cost estimate revision is complete and economic conditions have improved.

The funding of the Company’s 20% working interest share of Fort Hills Project expenditures by the Company’s Fort Hills Partners on the Company’s behalf results in the Company’s PP&E balances in the financial statements increasing only by the expenditures actually funded by the Company itself during the earn-in period (i.e. - until the first $7.5 billion of Fort Hills Project expenditure has occurred). The Company is funding the first $2.5 billion of Fort Hills Project expenditures at 4%, or $100 million and will fund the ensuing $5 billion at 5%, or $250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20% interest share of expenditures.

For the year ended December 31, 2008, Fort Hills Project spending by Fort Hills Partners on UTS’ behalf, totalled $459.6 million (2007 - $98.5 million). Cumulative spending to December 31, 2008 by Fort Hills Partners on UTS’ behalf totals $653.6 million. At December 31, 2008, $746.4 million of Fort Hills Project funding remains committed by Fort Hills Partners on UTS’ behalf. UTS will receive 20% of the cash flows upon commencing operations for its 20% working interest, even though the Company will have paid less than 20% of the Fort Hills Project costs for its 20% interest in the Fort Hills Partnership units.

UTS' corporate capital asset expenditures for office equipment totalled $224,685 in 2008 and $19,091 in 2007, comprised primarily of expenditures on computer equipment and software.

PP&E net additions associated with other lease interests held outside the Fort Hills Project totalled $58,065,020 and $37,314,210 for the years ended December 31, 2008 and 2007, respectively. Included as additions are non-cash amounts consisting of: (i) capitalization of stock-based compensation of $3,731,501 and $3,203,176, respectively; (ii) future income tax adjustments associated with capitalized stock-based compensation of $1,243,834 and $1,238,931, respectively; and (iii) for the year ended December 31, 2007, accretion amounts relating to the loan payable to Teck of $7,396,134. During the years ended December 31, 2008 and 2007, a 50% interest in certain oil sands leases was acquired jointly with Teck for $5,095,185 and $8,580,376 respectively. The remaining $47,994,500 and $16,895,593 incurred costs consist of exploration and development costs and capitalized cash G&A. The Company continues to actively pursue the development of these and other related business opportunities.

Property, Plant & Equipment Additions	**Quarter ended December 31, 2008**	Quarter ended December 31 2007	**Year ended December 31 2008**	Year ended December 31 2007
Fort Hills Project				
Exploration & development costs	**$18,125,698**	$ 4,906,607	**$ 57,647,891**	$15,329,627
Capitalized cash UTS G&A	**428,877**	745,709	**1,424,049**	2,187,832
Capitalized stock-based compensation	**448,484**	405,983	**2,342,001**	1,534,038
G&A recoveries	**(170,923)**	(128,000)	**(682,617)**	(513,194)
Future income tax adjustments	**149,495**	135,328	**780,667**	585,111
Accretion / adjustment of asset retirement obligation	**2,108,600**	28,800	**2,162,600**	1,347,300
	21,090,231	$6,094,427	**63,674,591**	$20,470,714
Other Oil Sands Lease Interests				
Exploration & development costs	**8,724,592**	5,259,499	**45,899,439**	14,442,630
Capitalized cash G&A	**375,167**	1,648,461	**3,367,891**	4,128,299
Capitalized stock-based compensation	**798,681**	907,662	**3,731,501**	3,203,176
G&A recoveries	**(263,053)**	(739,705)	**(1,272,830)**	(1,675,336)
Future income tax adjustments	**266,227**	302,553	**1,243,834**	1,238,931
Accretion of loan payable on acquisition	**-**	-	**-**	7,396,134
Lease acquisition payments	**95,510**	-	**5,095,185**	8,580,376
	9,997,124	7,378,470	**58,065,020**	37,314,210
Corporate Furnishings & Equipment	**135,892**	15,187	**224,685**	19,091
Total	**$31,223,247**	$13,488,084	**$121,964,296**	$57,804,015

SUMMARY OF CONTRACTUAL OBLIGATIONS

The long term obligations comprise long term liabilities of the Company with indeterminate settlement dates.

		Payments Due By Period			
Contractual Obligations	Total	under 1 year	1 – 3 years	4 – 5 years	after 5 years
Long term debt	Nil	Nil	Nil	Nil	Nil
Operating leases[1]	3,749,000	990,000	2,286,000	473,000	Nil
Other long term obligations[2]	25,180,000	Nil	Nil	Nil	25,180,000
Total contractual obligations	28,929,000	990,000	2,286,000	473,000	25,180,000

Notes:

1. During 2008, the Company renewed its head office premises lease for a further term of three years commencing June 1, 2009, which is reflected in the figures above.
2. The Company is responsible for its 20% share of the future site restoration costs of the Fort Hills Project. Such costs are recognized for financial statement purposes on a present value basis over the life of the Fort Hills Project. The undiscounted, uninflated amount of $25.18 million, representing the Company's 20% share, is included in the table.

EQUITY FINANCINGS

On November 19, 2007, the Company completed a public offering on a bought deal basis of 41.8 million common shares at a price of $6.10 per share and 2.7 million common shares issued on a flow-through basis at a price of $7.60 per share, for total gross proceeds of $275.5 million and net proceeds of $264.2 million after direct expenses. The proceeds of this offering were used to fund UTS' share of the cost of the winter 2007/2008 exploration and drilling program on leases UTS owns jointly with Teck. The proceeds were fully expended on qualifying exploration activities and renounced to the participating investors of that offering.

Gross proceeds of financing	- common shares	$254,980,000
	- flow through shares	20,520,000
Use of proceeds:		
Common shares - to fund operational and development expenses related to UTS' oil sands projects and for general corporate purposes.		
Flow-through shares - to incur qualifying Canadian Exploration Expenses, which were renounced in favour of subscribers for the 2007 taxation year		
Actual Flow-through spending incurred to date		$ 20,520,000

OUTSTANDING SHARE DATA

The following shares were outstanding at December 31, 2008 and March 24, 2009:

	Number of Shares	Consideration
Outstanding, December 31, 2008	474,169,655	$585,182,107
Issued on settlement of Deferred Share Units	26,571	-
Transfer from contributed surplus on settlement of Deferred Share Units	-	120,520
Outstanding, March 24, 2009	474,196,226	585,302,627

The following equity awards, entitling the holders to acquire common shares of the Company, were outstanding at March 24, 2009:

	Range of Exercise Price	Weighted Average Exercise Price	Number Outstanding	Number Exercisable
Incentive Stock Options[1]	$0.30 – 6.53	$4.15	19,279,732	10,856,659
Share Appreciation Rights[2]	0.30 – 7.42	$2.63	847,749	647,749
Deferred Share Units[3]	n/a	n/a	1,460,473	1,077,828

Notes:

1. The shareholders of the Company approved, at the Annual and Special Meeting of Shareholders held May 17, 2007, an amendment to the Company's Incentive Stock Option Plan ("Option Plan") to increase the maximum number of common shares which may be issued pursuant to the Option Plan from 20 million to 30 million common shares.
2. The shareholders of the Company approved, at the Annual and Special Meeting of Shareholders held May 26, 2005, an amendment to the Company's Share Appreciation Rights Plan (the "SAR Plan") to increase the maximum number of common shares which may be issued pursuant to the SAR Plan from 2.5 million to 3 million common shares.
3. The shareholders of the Company approved, at the Annual and Special Meeting of shareholders held May 27, 2007, an amendment to the Company's Deferred Share Unit Plan ("DSU Plan") under which the Company may grant deferred share units ("DSUs") to non-executive directors and selected employees. The maximum number of deferred share units available for issuance under the DSU Plan is 2.5 million DSUs. In May 2008, 382,645 DSUs were issued subject to certain performance criteria being achieved prior to availability for redemption. These units are not included in the number exercisable shown above.

CRITICAL ACCOUNTING ESTIMATES

INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

DISCOUNTED SALE PROCEEDS

The Company has discounted the non-interest bearing proceeds receivable due on the first and second anniversary dates of the closing of the sale of a 50% working interest in the Equinox Project to Teck on June 28, 2007. The sale price was to be received in three installments as follows:

1. 60% of the base price of $200 million, or $120 million, less the loan balance of $79.4 million owing by UTS to Teck. This payment, totaling $40.6 million, was received on the closing date of June 28, 2007;

2. 50% of the remaining adjusted purchase price was received on June 28, 2008; and

3. 50% of the remaining adjusted purchase price is due on June 28, 2009.

The interest rate used was 4.5% and the discount of $5.2 million will be accreted over time to the respective instalment due dates. Accretion of the discount has been included in interest income as is required by GAAP.

ASSET RETIREMENT OBLIGATION

PCOSI, as operator of the Fort Hills Project, has provided a revised calculation for the accrual of site restoration costs of the Fort Hills Project. The undiscounted, inflated future cash flow estimate has been revised upward to $125.9 million from $47.3 million. Using assumptions that estimate the life of the Fort Hills Project to be 40 years, an inflation factor of 1.025% (2007 - 2.5%) and a credit adjusted risk-free interest rate discount factor of 7.5% (2007 - 6.3%), the fair value of the Company's 20% share of the accrual for site restoration costs has been estimated as follows:

Balance, December 30, 2006	$ 132,300
Obligations incurred	1,957,200
Accretion	44,800
Reduction in working interest	(453,400)
Change in estimate	(201,300
Balance, December 31, 2007	1,479,600
Obligations incurred	2,142,400
Accretion	72,000
Change in estimate	(51,800)
Balance, December 31, 2008	$3,642,200

EVALUATION OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

As of the December 31, 2008 fiscal year-end, the poor state of the economy and uncertainty associated with the progress/status surrounding the Fort Hills Project have been taken as indicators that UTS should test its oil sands assets for potential impairment.

The partners in the Fort Hills Project are all committed to the development of this asset once economic conditions improve. Refer to the section of this MD&A entitled "Fort Hills Project - Project Engineering and Cost Estimates" for further information regarding work being done to position the Fort Hills Project to proceed once economic conditions do improve. As part of this process, some existing equipment supply and service agreements have been suspended or terminated, resulting in estimated contract termination costs, of which UTS' funded portion is $8,356,000, which has been reported as other expense in its Statement of Income (Loss) for the year ended December 31, 2008. As a result of the deferral of the final investment decision on both the mining and upgrading portions of the Fort Hills Project, UTS has recognized its funded portion of an impairment charge on certain PP&E no longer expected to provide future benefit to the Fort Hills Project totaling $5,266,560, which is included in depreciation and amortization expense in its Statement of Income (Loss) for the year ended December 31, 2008.

ASSET-BACKED COMMERCIAL PAPER IMPAIRMENT

At December 31, 2007, the Company held third party asset-backed commercial paper ("ABCP") with an original cost of $4.30 million and par value upon maturity of $4.35 million. At the time of acquisition, these investments were rated R1 (High) by Dominion Bond Rating Service ("DBRS"), the highest credit rating issued for commercial paper. These investments matured during the third quarter of 2007, but did not settle on maturity as a result of the unprecedented liquidity issues in the ABCP market.

On December 23, 2007, the Pan Canadian Committee (the "Committee") approved an agreement in principle to restructure the ABCP issued by twenty trusts, which included the investments held by the Company. As a result, the Company reclassified its investment in this paper as a long-term asset. The Company has not been able to access information relating to the assets underlying its investments and has relied upon guidance provided by DBRS and the Committee. There were no market quotations available for the ABCP investments held by the Company. Therefore, the Company had estimated the fair value of its investment in ABCP via a discounted cash flow approach. The following factors and assumptions were used in the calculation: maturity over seven years, principal reductions of up to 50% depending upon the nature of the underlying assets as indicated by the Committee and DBRS, restructuring fees, and average discount rate of 5.49%. Based on this calculation, an impairment of $1.2 million had been recognized and the long-term asset was valued at $3.15 million at December 31, 2007.

On March 17, 2008, a court order was obtained through which the restructuring of the ABCP is expected to occur under the protection of the Companies' Creditors Arrangement Act ("CCAA"). On March 20, 2008, the restructuring committee issued information containing details on the proposed restructuring. Due to the complexity of the restructuring, it was still not implemented by December 31, 2008. The Company had estimated that if the restructuring plan was implemented its investment would be converted to the following series of notes:

MAV2 Notes:
Class A1 - $858,000
Class A2 - $1,523,000
Class B - $262,000
Class C - $82,000

Tracking Notes:
IA Tracking Notes - $1,625,000

No market quotations are yet available for the ABCP investments held by the Company; therefore, the Company has estimated the fair value of its investment in ABCP via a discounted cash flow approach based on the following assumptions:

Average maturity		7 years
Credit losses	- MAV Notes	0% to 80%
	-Tracking Notes	50% to 100%
Average Interest Rate (net of margin facility fees)		2.7%
Average Discount Rate		7.50%

Increasing the discount rate by 1% would increase impairment by approximately $200,000. The fair value estimated above, based on information available at December 31, 2008, does not vary materially from the value of $3.15 million as estimated at December 31, 2007 and therefore, no further impairment has been recorded for the year ended December 31, 2008.

Subsequent to December 31, 2008, additional information became available with the closing of restructuring plan and the replacement of the old notes with the new notes issued under the restructuring plan. Any further impairment indicated by the consideration of information released subsequent to December 31, 2008 would be immaterial and will be considered in further detail in its financial statements for the first quarter of 2009. The Company's ABCP holdings were not a significant portion of the Company's investment portfolio and therefore, will not affect the Company's liquidity or the Company's business in a significant way.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2008, the Company adopted the following CICA Handbook accounting standards - Section 3862 Financial Instruments-Disclosures, Section 3863 Financial Instruments-Presentation and Section 1535 Capital Disclosures, which require additional disclosures regarding the Company's financial instruments and its capital management policies.

CAPITAL MANAGEMENT

CICA Handbook Section 1535 - Capital Disclosures requires the disclosure of: (i) qualitative discussion regarding an entity's objectives, policies and processes for managing capital; (ii) quantitative data regarding what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard requires additional disclosure only and did not have any impact on the Company's interim financial results.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing to fund its activities. The Company currently has no bank debt but has a credit line in place of $15 million, which has been used to fund the $13,743,150 in Letters of Credit ("LC") posted by the Company. Capital managed as at December 31, 2008 and 2007 is as follows:

	December 31, 2008	December 31, 2007
Bank Credit Facility	$ 15,000,000	$ 5,000,000
Shareholders' Equity	731,592,971	733,591,660
Capital Managed	$746,592,971	$738,591,660

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the year ended December 31, 2008.

The Company is not subject to externally imposed capital requirements at this time. A requirement of a recent financing occurring in November 2007 was that $20.5 million of flow through share subscription proceeds be utilized to fund qualifying Canadian Exploration Expenditures in order that the amount may be renounced to participating shareholders. The funds have since been spent on qualifying Canadian Exploration Expenditures, thereby satisfying that particular capital requirement.

FINANCIAL INSTRUMENTS

CICA Handbook Section 3862 - Financial Instruments Disclosures and Section 3863 - Financial Instruments Presentation require disclosure of qualitative and quantitative information to enable users of financial statements to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The new standards did not have any impact on the Company's interim financial results.

The Company's financial instruments include cash and cash equivalents, cash pledged as collateral, accounts receivable, sale proceeds receivable, accounts payable and other assets, comprising asset-backed commercial paper held by the Company.

Cash and cash equivalents, and cash held as collateral are classified as held-to-maturity and are recorded at amortized cost. Accounts receivable and sale proceeds receivable are classified as loans and receivables and are recorded at amortized cost. Other assets are considered held-to-maturity, but are carried at estimated fair value due to impairment. Refer to the "Critical Accounting Estimates – Asset Backed Commercial Paper Impairment" discussion in this MD&A for valuation assumptions used in estimating fair value of these other assets. Accounts payable are classified as other financial liabilities and are recorded at amortized cost. The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

The Company's risk exposure associated with its financial instruments is summarized below.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Company strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Liquidity risk is currently low due to the cash and cash equivalents held by the Company as well as the Fort Hills Partnership Agreements held with Petro-Canada and Teck, whereby UTS is only required to fund $350 million of the first $7.5 billion of expenditure as the Fort Hills Partners earn their working interest in the Fort Hills Project by funding a portion of UTS' working interest expenditure. However, with current turmoil in the capital markets, improvement is necessary to fund the remaining capital expenditures.

Regarding Fort Hills Project costs, the FEED studies advanced sufficiently during the third quarter of 2008 to allow a preliminary revised capital cost estimate of $25.3 billion, including expenditures to date, to be determined for the first phase of the Fort Hills Project. This cost estimate has not been approved by the Fort Hills Partnership. While cost pressures were anticipated, the magnitude of the increase in this preliminary estimate was unexpected with the largest increases being experienced in direct labour costs, indirect costs and owner's costs. There was also a substantial increase in contingency and escalation, although greater cost certainty would usually be expected after the FEED phase. In the fourth quarter of 2008, the Fort Hills Partnership agreed to defer the final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment can be established. Opportunities for cost reductions, execution efficiencies, and the overall project schedule for bitumen production will be evaluated in the coming months. The Sturgeon Upgrader portion of the Fort Hills Project will be put on hold and a decision on whether to proceed with the Upgrader will be made at a later date. These actions are expected to result in a significantly lower Phase I cost estimate.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its holdings of asset-backed commercial paper, other cash equivalents, accounts receivable and sales proceeds receivable. The asset-backed commercial paper is carried at estimated fair value of $3.15 million after recognizing an impairment charge in 2007 of $1.20 million from its original par value of $4.35 million. The credit worthiness of these investments remains questionable pending the outcome of the restructuring efforts currently underway.

Sales proceeds receivable of $39.1 million and approximately $8.4 million of accounts receivable are due from joint venture partners. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditure budgets prior to expenditure.

Cash and cash equivalents held by the Company are only invested with counterparties meeting credit quality requirements and issuer and concentration limits as set out in the Company's investment guidelines. UTS' cash investment policy and guidelines are reviewed periodically and are currently very conservative, emphasizing security of assets over investment yield. Therefore, the Company's management believe that credit risk associated with these investments is minimal.

There is also an element of credit risk associated with the Fort Hills Partnership Agreements noted above in the Liquidity Risk section. If Petro-Canada and Teck failed to discharge their

obligations under those agreements, UTS could incur a financial loss, and therefore, the Company continues to monitor credit risks and markets.

(c) Market Risk

The three components of market risk are interest rate risk, price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Company's investment policy requires that the investments acquired be short term in nature and investments are held through to maturity.

The Company is exposed to changes in interest rates on its credit line facility as the facility bears interest on any overdue fees at the bank's prime rate plus 5%. Exposure is minimal as the credit line currently has a $15 million limit which is only available to fund LCs. Interest rate risk will become more of a factor as the Company takes on more debt to fund future project expenditures.

(ii) Price risk

Although the Company is not yet a producing entity, it is exposed to price risk with respect to commodity and equity prices to some extent by virtue of their impacts on the value of the Company's prospects and the resulting impact on the Company's share price. The Company's ability to raise capital to fund future development activities is subject to risks associated with fluctuations in the price of oil, natural gas and construction inputs such as steel and labour, as well as movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity and equity prices to determine the appropriate course of actions to be taken by the Company.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Company are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

The Fort Hills Partnership is exposed to changes in foreign exchange rates as capital expenditures may fluctuate due to changing US and Euro currency rates. The Fort Hills Partners bear the risk of such rate fluctuations.

CONTROL CERTIFICATION

Revised National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" requires testing, evaluation of results, and conclusion as to the effectiveness of a company's disclosure controls and procedures and internal controls over financial reporting for reporting periods ending on or after December 15, 2008. Any material weaknesses require disclosure in the MD&A, such disclosure to be accompanied by the impact of the material weakness on the financial reporting and internal controls over financial reporting and any plans or actions undertaken to remediate the material weakness.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has designed and evaluated the effectiveness of its Disclosure controls and Procedures ("DC&P"). The President and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that DC&P are designed appropriately and are operating effectively as at December 31, 2008.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has designed and evaluated the effectiveness of its Internal Controls over Financial Reporting ("ICFR"). The President and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that the ICFR are designed appropriately and are operating effectively as at December 31, 2008. As is indicative of small companies in general, there are certain weaknesses in the Company's internal controls due primarily to its inability to perform an effective segregation of duties in certain areas and the lack of existence of in-house expertise in complex accounting and taxation areas due to a small staff contingent. These have been identified as areas in which weaknesses are being compensated for via managerial monitoring of processes and via consultation with external experts to assist management as required. The Company currently engages in such practices. Management and the Board of Directors attempt to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to a remote likelihood of a material misstatement. There have been no changes in the Company's ICFR during fiscal 2008 that has or is likely to materially affect the Company's ICFR. Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

LIQUIDITY AND FINANCIAL RESOURCES

The Company as of March 24, 2009 has approximately $268 million in cash and cash equivalents, sufficient financial resources to fund its working capital requirements for its share of development costs of the Fort Hills Project and exploration and drilling on UTS' other lands based on the current Fort Hills Project spend rate to mid 2011. The remaining $40 million of proceeds from the sale of 50% of the Equinox Project to Teck, which are due on June 28, 2009, are expected to assist with funding for exploration activities occurring outside of the Fort Hills Project. The further earn-in of Petro-Canada and Teck into the Fort Hills Project is expected to provide Fort Hills Project funding until at least the first half of 2011. UTS has raised additional equity to secure its $250 million funding requirement under this transaction, which closed November 19, 2007, bringing its total contribution for the first $7.5 billion of expenditure under the existing Fort Hills Partnership to $350 million.

UTS has therefore prepared its financial statements on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business. The recoverability of capitalized costs is dependent on the successful completion and operation of the various projects noted above. Capitalized costs incurred to date, less amounts recovered or written off, do not necessarily represent present or future values. The Company's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements and to eventually generate positive cash flows from its various projects. The Company's financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate.

UTS has $4.35 million invested in Coventree asset backed commercial paper and recorded an impairment on these investments of $1.20 million at December 31, 2007. UTS has initiated and implemented a very thorough investment policy which is geared to liquidity and protection of its investment portfolio.

The development of the Fort Hills Project and UTS' lease holdings outside of the Fort Hills Project beyond 2009 will require the Company to continue to fund its working capital requirements,

including capital and operating costs of the Fort Hills Project, through new sources. The significant sources of additional funds potentially available to the Company are borrowings in the banking/bond market, sale of other oil sands leases and possibly raising equity capital, if required.

UTS currently has no bank debt, with the exception of a revolving demand credit facility of up to $15 million with a Canadian chartered bank. The facility is available to be used by way of LCs in Canadian dollars, is repayable on demand and, prior to the issuance of each LC, the Company shall deposit with and pledge to the bank an amount in Canadian dollars equal to the full face amount of the LC and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Issuance fees for LCs issued under this facility shall be $0.50% per annum, and any overdue fees shall bear interest at bank prime plus 5% per annum.

On December 15, 2008 an LC was posted with Alberta Environment, in the event of a default, in the amount of $13,743,150 as security in respect of the Company's 20% share of mine site reclamation for the Fort Hills Project. For this particular mine liability the total LC required amount is $68.72 million with each Fort Hills Partner's pro-rata share on behalf of the Fort Hills Partnership as follows:

	Fort Hills Partnership Interest	$ Million
Petro-Canada	60%	41.24
Teck	20%	13.74
UTS	20%	13.74
Total	100%	68.72

At December 31, 2008, UTS had a $940,000 LC posted with ATCO Electric Limited for the Fort Hills Bitumen Extraction and Processing Facility Electrical Interconnection. The LC was returned to the Fort Hills Partners on March 10, 2009 as the existing form of the contract has been cancelled and is being revisited.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents a change to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking which may materially affect the Company's reported financial position and results of operations. The Company has drafted an IFRS Transition Plan ("IFRS Plan") and an assessment of the impact of IFRS on the entity, its processes and its financial reporting is underway.

The first phase of the IFRS Plan was to perform a diagnostic review, the purpose of which was to analyze, identify and assess the overall effort required by the Company to produce financial information on an IFRS basis. Areas which will likely be significantly impacted by the adoption of IFRS were identified and a qualitative overview of likely financial statement impacts and potential difficulties with systems or processes which may arise when addressing the differences between IFRS and current Canadian GAAP was performed. A brief summary of the diagnostic review is included below under the heading "IFRS Diagnostic Summary".

The second phase of the IFRS Plan being undertaken is to prepare a work plan for the areas of significance identified above. Component evaluations for each significant area are being performed. Each component evaluation will consist of the following:

- Definition of a starting point by summarizing Canadian GAAP as currently used;
- Definition of IFRS accounting policies for the component;
- Narrative summarization of differences between current GAAP and IFRS;

- Identification of issues or data gaps to be dealt with;
- Summary of action items and identification of interdependencies with other components;
- Communication / training needs; and
- Effects on internal controls / disclosure controls.

This phase has commenced and is expected to be completed by the end of the second quarter of 2009. The next step will then be to analyze and aggregate the Company's financial data, while remediating any data capture/procedural / internal control deficiencies or issues which have been or continue to be identified throughout the process. The Company will endeavor to provide comprehensive, meaningful updates to its shareholders and interested parties regarding its progress towards IFRS implementation in each MD&A going forward.

IFRS DIAGNOSTIC SUMMARY

The first phase diagnostic review identified a number of areas which will likely be significantly impacted by IFRS adoption.

Joint Venture Activities

All of UTS' development activities currently occur via joint ventures - UTS' 20% working interest in the Fort Hills Project is held within the Fort Hills Partnership, and the other exploration activities and leases are owned on a 50/50 basis with Teck. IFRS classifies joint ventures into three classes; jointly controlled operations, jointly controlled assets and jointly controlled entities. The Fort Hills Project is a jointly controlled entity as it is held within a limited partnership structure. Currently, IFRS would permit a choice between accounting for a jointly controlled entity using proportionate consolidation or equity accounting. IFRS Exposure Draft 9 is proposing that jointly controlled entities be required to apply the equity method of accounting, in which case the investment in the Fort Hills Project would become a one-line entry on the balance sheet comprising investment advances less equity in earnings. The joint venture activities with Teck are in the nature of jointly controlled assets and operations, which would still likely qualify for the current accounting treatment of proportionate consolidation, should the proposals in Exposure Draft 9 become final.

Property, Plant & Equipment ("PP&E")

UTS' PP&E balances comprise primarily capitalized oil sands lease acquisition costs, exploration and evaluation costs and capitalized G&A. Certain types of expenditures capitalized within PP&E may also be subject to differing accounting treatment under IFRS. The International Accounting Standards Board ("IASB") has an extractive industries project underway which will not be completed until after Canada has adopted IFRS. Until then, IFRS 6 is a standard which deals explicitly with exploration for and evaluation of mineral resources and which provides for the ability to capitalize certain exploration and evaluation expenditures ("E&E") in a manner largely similar to UTS' current treatment of such expenditures. Expenditures incurred prior to holding any rights to explore an area of interest are to be expensed under IFRS; any such expenses identified will be recognized through retained earnings as part of the opening balance sheet reconciliation on transition. Certain E&E expenditures have been incurred and capitalized by UTS prior to acquiring ownership of oil sands leases and will likely require expense treatment upon transition to IFRS.

IFRS 6 permits capitalization of E&E incurred after acquiring the rights to explore (oil sands lease) up until E&E activities are complete, which is generally taken to mean once the existence of commercially viable reserves is known. At this point in time, costs incurred to date by UTS have been primarily lease acquisitions and E&E expenditures, which have been capitalized as PP&E.

Once it has been determined that commercially viable reserves exist in an area, the E&E costs associated with the area are then classified as development assets and then become subject to the normal IFRS rules for assets from that point on, including normal impairment testing rules. Areas which do not possess commercially viable reserves must be written down to fair value less cost to sell. Development expenditures are costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing bitumen and/or oil and should be capitalized if necessary to bring the property into commercial production. They are originally measured at cost of the entity to purchase or construct and then a policy choice must be made for years subsequent to transition to either carry the asset at cost less accumulated depletion / depreciation and accumulated impairment losses or to revalue the asset at fair value if it can be reliably measured.

UTS also capitalizes a portion of its G&A under current Canadian GAAP. IFRS does not permit general overhead capitalization; any costs capitalized must have been directly attributable to the asset and would not have been incurred otherwise. UTS will analyze its capitalized G&A over the following months to determine which will qualify for capitalization under IFRS.

IFRS 1 provides for certain exemptions to be applied on the date of transition. One of these exemptions permits an entity to use fair value of each asset as its deemed historical cost going forward from transition date instead of analyzing all historical costs. Further analysis surrounding IFRS 1 exemptions remains to be done.

IFRS requires impairment testing on PP&E assets similarly to when current Canadian GAAP does. Current Canadian GAAP however permits testing at a higher level than IFRS does; IFRS requires testing to occur by the cash generating units ("CGU"), the smallest group of assets generating cash flow independently from other assets, which will likely be a mining project or an upgrader in the case of UTS. Unlike current Canadian GAAP, IFRS requires reversals of impairments, excluding those recognized on goodwill. IFRS 6 permits impairment testing of E&E costs to occur at a higher level than CGU, but not to exceed segment level, and is not necessarily required annually, but only required when indicators of impairment exist.

ARO under current Canadian GAAP are recognized when incurred if a reasonable estimate of fair value can be made. IFRS similarly requires such liabilities to be recognized when incurred if an estimate of fair value can be made. Current Canadian GAAP only requires legal obligations to be recorded; IFRS requires consideration of constructive obligations as well - if an entity has a policy or has set precedents of doing something not legally required as part of its decommissioning/restoration practices, these acts must also be included in the ARO. IFRS also requires current credit-adjusted risk-free rates to be used each reporting date to discount the obligation over time, whereas current Canadian GAAP sets the rates when the when the cash flows are estimated. ARO costs are capitalized under IFRS as they are under current Canadian GAAP and must be included in IFRS impairment tests at the CGU level.

Stock-based compensation is another area in which IFRS may have significant effect. Options granted under UTS' Incentive Stock Option Plan currently vest over three years. When options are granted, the fair value is calculated using a Black-Scholes model and the value is expensed over three years on a straight-line basis. IFRS will require each annual vesting tranche to be valued separately and expensed accordingly. UTS currently recognizes the effect of forfeitures as they occur; IFRS will require an estimate of future forfeitures to be made in valuing the amount of stock-based compensation to be recognized. Since UTS is not a revenue producing entity, its Board of Directors in the past issued a resolution disallowing cash settlement of any of its stock-based instruments upon exercise; therefore all exercises are equity settled via issuance of UTS

common shares and the stock-based compensation costs are credited to contributed surplus instead of accrued liabilities. Further work remains to be done to determine whether similar treatment will be permitted under IFRS.

Although UTS has existed since 1976, no assets or business operations exist from that time; the oldest asset/business venture UTS is involved in today is the Fort Hills Project, the leases for which were acquired in the mid 1990's. Therefore, there are few business combinations which UTS would need to consider upon transition to IFRS. An exemption does exist under IFRS 1, which provides for prospective application only for business combinations and which would then not require revisiting prior business combinations subject to certain requirements. Further work remains to be done in this area.

OUTLOOK

UTS projects, that sufficient financial resources are in place to fund its working capital requirements for its share of the Fort Hills Project and that all budgeted work on UTS' other lands to at least the first half of 2011. This projection is based on a combination of the following base assumptions:

- remaining $746 million in earn-in from the Fort Hill's Partners;
- $40 million in remaining sale proceeds due from Teck by mid 2009;
- approximately $291 million in cash and cash equivalents as at December 31, 2008;
- UTS' share of Fort Hills Project expenditure during 2009 of $22 - 27 million; and
- final investment decision on the mining and exploration project during the second half of 2009.

The near term milestones for the Equinox Project include completion of the design basis during and the Baseline Environmental Report in the first quarter of 2009. UTS would be in a position, given partner approval, to submit a regulatory application for the Equinox Project late 2010, early 2011.

Work on a conceptual mine plan and facilities scoping study for the Frontier Project will be completed during 2009. Dependent on the results of the scoping work a detailed mine plan and DBM study will be initiated late 2009 or early 2010.

ALBERTA BUSINESS ENVIRONMENT AND CERTAIN RISK FACTORS

ALBERTA BUSINESS ENVIRONMENT

Recent economic forecasts of Canada's economic growth have trended downward reflecting the turmoil in the global financial markets, slowdown in global economic growth, and extreme volatility in the global equity markets. With respect to the Canadian economy, The Bank of Canada states, in its January 2009 Monetary Policy Report, that "outlook for the global economy has deteriorated significantly since October, and all major advanced economies are now in recession". Further, from the same report, the Bank of Canada states, "policy makers have responded to the fall in global economic activity with bold and concerted policy actions". The Bank of Canada projects Canadian GDP will decline by 1.2% in 2009 and to rebound by 3.8% by 2010.

The global economic slowdown with negative consequences for oil price combined with continuing escalation of oil sands capital costs is beginning to dampen the enthusiasm for new oil sands development with announcement of a number of major oil sands project deferrals. However, it is UTS management's view that global supply destruction in the wake of lower oil commodity prices will outstrip demand destruction over the next two years resulting in a price upsurge in 2010-2012.

The Alberta government is responding to the growing concerns, both local and global, to the environmental consequences of oil sands developments with a number of new regulatory initiatives. This includes new regulatory guidelines from the ERCB in relation to tailings management and

water recycle, which will require changes in field practice, not only for new projects, but also existing projects; and the development of a new land use framework, with the Northeast Alberta Regional Plan being a priority.

The aboriginal communities in north-eastern Alberta continue to express concerns with regard to the impact of oil sands development on their traditional land use rights. Their concerns are becoming focused on the cumulative social and environmental impacts and a desire for more meaningful economic opportunities.

RISK FACTORS

UTS' market value is determined largely by investor confidence in the potential for successful development and operation of the Fort Hills Project, the Frontier and Equinox Projects and the Lease 421 Area. Any events that negatively impact the development schedule or project economics need to be considered risk factors. These include oil prices, development costs, possible changes to the fiscal regime, and possible changes to environmental regulations or delays in receiving regulatory approvals and lease tenure.

The following are certain risk factors related to the business of the Company. The following information is a summary only of certain risk factors.

RISK FACTORS – Fort Hills Project

The potential increased capital cost combined with the turmoil in the global financial markets and the global economic slowdown has significantly reduced UTS' ability to meet its financing requirements for the Fort Hills Project. Reconfiguring the Fort Hills Project and the timing of the various phases will be critical for ensuring UTS' ability to fund its share of project costs. In addition, recovery of the global financial markets will be critical in determining the availability and cost of debt financing for the Fort Hills Project. This will in turn determine the extent that UTS will need to consider the sale of some or all of its other assets and additional equity financing.

Capital requirements are subject also to normal capital market risks, primarily the availability and cost of capital. UTS is somewhat insulated from the current turmoil in financial markets given that it has secured its share of the Fort Hills Project costs through to at least the first half of 2011, assuming:

- late 2009 or early 2010 Fort Hills Project sanction;
- 2009 expenditure in the range of $450-550 million; and
- forward Fort Hills Project CAPEX based on the current profile received from PCOSI.

UTS held discussion with a number of organizations during 2008 who expressed interest in participating in UTS' remaining funding obligations. UTS will resume financing activities once the project scope, budget and forward obligations have been agreed by the Fort Hills Partnership during the second half of 2009 and the credit markets improve. UTS' failure to provide funding would result in a corresponding reduction in its ownership interest. In the event of non-payment by UTS of its share of costs and expenses for the Fort Hills Project, the non-defaulting partners will each have the option, after a cure period, to:

(i) purchase all or part of the defaulting partner'(s) interest for 80% of the total costs paid and accruable to the date of default; or
(ii) after 80% of the total costs of the initial phase of development of the Fort Hills Project have been incurred, the purchase of all or part of the defaulting partner'(s) interest in the Fort Hills Project as is noted in (i) above or the defaulting partner'(s) working interest will be reduced based upon an established formula.

In March of 2009, PCOSI, on behalf of the Fort Hills Partnership agreed with Alberta Energy on a Fort Hills Lease Substitution Agreement to extend the term of Fort Hills Project Leases T05 and T052 and remove the development milestones that were previously associated with the original Lease Agreements. The extension and removal of milestones was provided in exchange for a commitment to upgrade bitumen production within Alberta from Phase II of the Fort Hills Project. Under the terms of the Fort Hills Lease Substitution Agreement, upgrading capacity for bitumen from Phase II could be direct ownership of facilities, equity in a corporate body, trust or partnership, or joint venture, or an agreement, having a fixed term of 10 years or longer, securing upgrading capacity in an Alberta upgrader. The terms of the new leases will run through to July 31, 2019. In the event that the Fort Hills Project does not meet the terms of the Fort Hills Lease Substitution Agreement, the Fort Hills Partnership will pay the Province of Alberta damages for lost provincial revenue that could total $500 million.

Certain regulatory approval times have been built into the Fort Hills Project's development schedule, but any delay in the time to receive regulatory approvals could delay project sanction and the start of construction. PCOSI, as operator for the Fort Hills Project, is monitoring this situation closely.

The deferred Upgrader is being designed so it will meet all of the emissions guidelines and regulations of the province. The recent decision with respect to the mine amendment addresses the near term needs of the Fort Hills Project but introduces risks related to production beyond 2029.

As noted under "Alberta Business Environment", the Alberta government is undertaking a number of initiatives to address public concerns related to the pace of oil sands development and the cumulative impact of these projects on the regional environment. While these initiatives may impact the cost of oil sands development and hence the availability of financing for such developments, the government continues to stress that it recognizes the importance for continued development of this world class resource.

PCOSI is addressing these initiatives within the design of the Fort Hills Project and is working closely with government officials and other stakeholders, including aboriginal communities, to minimize the associated risks. The ERCB's new tailings Directive 074 will affect the planned operations of the Fort Hills Project. PCOSI, as operator, is addressing the new requirements of this directive through adjustments to the mine plan and tailings management plan. UTS believes that any incremental costs associated with these initiatives can be managed within the current scope of the Fort Hills Project.

Any delays in the development of the Fort Hills Project, whether as a result of delay in receiving regulatory approval, engineering design changes, project sanction or construction by the Fort Hills Partnership could further increase the costs for development of the Fort Hills Project and may require additional financing.

RISK FACTORS –Equinox/Frontier Projects

Many of the risks associated with the Equinox and Frontier Projects are similar to those of the Fort Hills Project. UTS accepts that achieving and maintaining strong relationships with the local communities, including the aboriginal communities, will be a key factor in its success, and that the associated costs to meet the various government initiatives and stakeholder concerns must be managed to ensure that we will be granted approval to develop our oil sands resources.

UTS is seeking to reduce project development risk through a series of initiatives, including related studies, to ensure we understand the technical and economic tradeoffs associated with meeting emerging needs. These studies include capture and management of greenhouse gases, reduction of natural gas consumption, and assessing options for better management of tailings.

We are undertaking an aggressive outreach program with government regulators and stakeholder communities to ensure we gain a good understanding of their concerns and reach agreement on how we will attempt to address these concerns within project design parameters. For example, UTS sought early and direct input from the aboriginal communities into the Terms of Reference for the Environmental Impact Assessments for the Equinox and Frontier Projects recently issued by Alberta Environment. Similarly, UTS is working closely with AENV as we develop our plans for the Equinox and Frontier Projects.

RISK FACTORS – UTS Exploration Areas

The leases acquired jointly by UTS and Teck are located north of what has been considered to be the known mineable resources within the Athabasca Oil Sands Area. Consequently, as a result of the limited well control in this area, the exploration risks associated with these leases are higher than those historically associated with oil sands opportunities, and the value of these leases will be dependent on discovering oil sands deposits with commercial potential. However, the initial drilling results have been promising in this regard. Given the fact that UTS has not completed its drilling and analysis of core holes in respect of its various exploration leases, any resource estimates may vary from actual in place resources and any such variation may be material. These uncertainties will be reduced as additional core holes are drilled and evaluated and the resource estimates are refined.

PARTNERING

According to the Fort Hills Partnership Agreements, major decisions regarding the scope of the Fort Hills Project and the associated plan of development are made by the Management Committee, reflecting the ownership interests of the three Fort Hills Partners. UTS continues to participate actively in the Management Committee and all the Fort Hills Project's Subcommittees and, in addition, works closely with the other Fort Hills Partners to provide strategic direction and input into the Fort Hills Partnership. However, there is no assurance that everything relating to the development of the Fort Hills Project will be in the best interests of the Company. The obligations to contribute by each of the Fort Hills Partners is an obligation to the Fort Hills Partnership. A breach of that obligation would have to be pursued by the Fort Hills Partnership. This process could take an extended period of time and requires the co-operation of the Fort Hills Partnership. If a Forts Hills Partner is in default, they lose their right to vote. Also, default mechanisms allow the non-defaulting parties to have the right to elect to purchase at a discount a pro rata share of the defaulting partner's working interest.

LEASE TENURE

The risks associated with lease tenure have just been mitigated to a large extent as a result of the Lease Substitution Agreement between the Province of Alberta and the Fort Hills Partnership. However, there can be no assurance that the Fort Hills Project Leases would be extended beyond July 31, 2019. Under the terms of the Lease Substitution Agreement, should the Fort Hills Partnership not meet its upgrading commitments for Phase II of the Fort Hills Project's production within Alberta, damages up to a total of $500 million are payable for lost revenue to the Province of Alberta. In the event that Fort Hills Partnership defaults on payment for the damages, the Province of Alberta has the right to cancel the new oil sands leases.

GOVERNMENT REGULATION

The oil and gas industry in Canada, including the oil sands industry, operates under federal and provincial statutes and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the export of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and mine sites (including restrictions on production) and possible expropriation or cancellation of lease rights. The regulatory scheme as

it relates to oil sands, and the recovery and marketing of bitumen or bitumen by-products from oil sands is somewhat different from that related to conventional oil and gas in general.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing statutes or regulations, the implementation of new statutes or regulations or the modification of existing statutes or regulations affecting the crude oil and natural gas industry could impact the markets for crude oil and natural gas, delay or stop the development of the Fort Hills Project, or increase the Company's costs and have a material adverse impact on the Company.

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company are, and will continue to be, affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Should there be changes to existing statutes or regulations, the Company's competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than UTS

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact UTS' ability to develop and operate its projects or increase or maintain production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which UTS may be unable to mitigate.

The Company has implemented programs that support an environmental management system, including impact assessments, audits, compliance, reporting and regulatory updates. It co-operates fully with the other oil sands developers in an attempt to manage and mitigate cumulative environmental impacts of the oil sands development, including such matters as sharing the allowable water withdrawals from the Athabasca River and reducing demand during low flow periods through the use of measures such as off-stream water storage.

GREENHOUSE GASES

The Government of Canada has concluded that Canada cannot meet its commitment to the Kyoto Protocol and is currently developing an alternative strategy for reducing Canada's greenhouse gas emissions.

In June 2007, the Alberta Government passed its *Climate Change and Emissions Management Act.* The accompanying Specified Gas Emitters Regulation, that applies to companies which emit more than 100,000 tonnes of greenhouse gases per year (equivalent to a 5,000 bbls/day oil sands operation), requires such companies to reduce their greenhouse gas emission intensity by 12% over a six year period beginning July 2007. For new and upcoming projects, the regulations will be phased in, and not start until the fourth year of production for these projects allowing for an emissions baseline to be determined. Year three of production will become the baseline, and the 12% reduction target will be phased in at 2% per year.

In the event that a company is not able to meet the targets set forth in the *Climate Change and Emissions Management Act*, companies have two alternatives:

- pay $15 per tonne for every tonne of GHG emissions above the 12% target; or
- invest in Alberta-based projects that reduce or offset emissions on their behalf.

UTS has factored the costs of meeting this requirement into its financial and economic models. It is also assessing the costs of ensuring that its oil sands projects are CO_2 capture ready and the associated costs for sequestering such greenhouse gases.

At present, there is no assurance that any new federal government legislation related to reducing greenhouse gas emissions will be aligned or harmonised with Alberta's. In such case, the costs of meeting new federal government requirements could be considerably higher than Alberta's current requirements, with material adverse impacts on UTS' planned operations. Furthermore, such required reductions may not be technically or economically feasible and the failure to meet such emission reduction requirements may materially and adversely affect the Company's business and result in fines, penalties and the suspension of operations.

Mitigation of the risk of future legislative or regulatory limits on the emission of greenhouse gases may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off set credits may not be available for acquisition by UTS or may not be available on an economically viable basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of greenhouse gases by UTS associated operations.

On March 10, 2008, the Federal Government released a draft set of regulations to address greenhouse gas emissions with an expectation that, after consultation, final regulations will be in place by January 1, 2010. The regulations will impose cleaner fuel standards for oil sands projects. There will most certainly be a financial impact resulting from these new regulations on UTS' future projects, including the Fort Hills Project, however the extent of that impact is not yet known. There is greater uncertainty in this area due to potential changes to United States policy and the potential for harmonization between Canada and the United States in this area.

ERCB APPROVAL, AENV APPROVAL, WATER APPROVALS

The construction, operation and decommissioning of the Fort Hills Project and reclamation of the Fort Hills Project's land are conditional upon various environmental and regulatory approvals issued by governmental authorities, including but not limited to the ERCB Approval, the AEPEA Approval and the Water Approvals. There is no assurance such approvals will be issued, or, once issued or renewed, that they will not contain terms and conditions which make the Fort Hills Project uneconomic or cause the Fort Hills Partners to significantly alter the Fort Hills Project. Further, the construction, operation and decommissioning of the Fort Hills Project and reclamation of the Fort Hills Project's lands will be subject to regulatory approvals and statutes and regulations relating to environmental protection and operational safety. Although UTS believes that the Fort Hills Project will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in oil sands recovery and upgrading operations and there can be no assurance that substantial costs and liabilities will not be incurred or that the Fort Hills Project will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the Fort Hills Project's operations, could result in substantial costs and liabilities to UTS or delays to or abandonment of the Fort Hills Project.

FHEC, through PCOSI, as operator of the Fort Hills Project, will be solely responsible for obtaining and complying with the applicable environmental and regulatory approvals, compliance with the applicable laws and regulations regarding environmental protection and operational safety laws and regulations, and all associated costs, which could be substantial.

The revised design basis for the Fort Hills Project was partially approved by government regulators in late 2008 but is conditional on meeting a number of requirements including submission of a revised Environmental Assessment by December 31, 2009. There can be no assurance that:

- amendments to existing regulatory approvals or additional regulatory approvals as may be required for the Fort Hills Project to proceed according to the current design basis will be available in a timely fashion, with acceptable terms and conditions, or at all; or

- the revised Environmental Assessment will be either submitted within the time frame dictated by or be acceptable to the government regulators and not result in the requirement for further public hearing resulting in project delay. The regulatory approval process can involve stakeholder consultation, environmental impact assessments and public hearings, among other things. In addition, regulatory approvals may be subject to conditions including security deposit obligations and other commitments. Failure to obtain the necessary regulatory approvals or amendments to existing regulatory approvals, or failure to obtain them on a timely basis or with acceptable terms and conditions, could result in delays and abandonment or further restructuring of the Fort Hills Project and increased costs, all of which could have a material adverse effect on UTS.

ABANDONMENT AND RECLAMATION COSTS

PCOSI, as operator of the Fort Hills Project, is solely responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of any project and reclamation of its lands at the end of its economic life. Any abandonment and reclamation costs, which are costs of the Fort Hills Project, are currently estimated at $68.7 million, of which UTS' share is 20% or $13.7 million.

Estimates of the abandonment and reclamation costs will be a function of regulatory requirements at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. Consequently, the estimates may or may not accurately reflect these future costs. A breach of such legislation and/or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. In addition, in the future the operator may determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs which funds would be a cost of the Fort Hills Project.

SALES OF ADDITIONAL SECURITIES

UTS may issue additional common shares or other securities to finance its interest in the Fort Hills Project, UTS' exploration leases and certain of the Company's other capital expenditures. The constating documents of UTS permit it to issue an unlimited number of additional common shares. The Board of Directors of the Company has discretion to determine the issue price and the terms of issue of common shares. Such future issuances may be dilutive to investors. Holders of common shares have no pre-emptive rights under UTS' constating documents to participate in any future offerings of securities.

TITLE RISKS

The Company is satisfied that it has good and proper right, title and interest in and to the leases that it intends to develop either held directly or indirectly through the Fort Hills Partnership or UTS and Teck, respectively. However, the Company has not obtained title opinions in respect of all of the leases and, accordingly, the Company's ownership of certain leases could be subject to prior unregistered agreements or interests or undetected claims or interests.

INDEPENDENT REVIEWS

Although third parties have prepared reviews, reports and projections relating to the viability and expected performance, it cannot be assured that these reports, reviews and projections and the assumptions on which they are based will, over time, prove to be accurate.

OIL PRICES

The Company's financial results will be dependent upon the prevailing price of crude oil and natural gas. Oil prices fluctuate significantly in response to regional, national and global supply

and demand factors beyond the control of the Company. Political and economic developments around the world can affect world oil supply and oil prices.

Any prolonged period of low oil prices could result in a decision by the Company or the Fort Hills Partners to suspend or reduce the proposed production. Any such suspension or reduction of proposed production would result in a corresponding substantial decrease in the Company's revenues and earnings and could materially impact the Company's ability to meet its debt servicing obligations and could expose the Company to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum products produced at such reduced prices would lower the Company's revenues.

COMPETITION

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of oil interests and the distribution and marketing of petroleum products. The Fort Hills Project and UTS' exploration leases will compete with other bitumen producers, other producers of SCO blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than UTS is anticipated to have. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than UTS have announced plans to enter the oil sands business and begin production of bitumen or SCO, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of SCO and other competing crude oil products in the marketplace. Depending on the levels of future demand, increased supply could have a negative impact on prices.

FOREIGN EXCHANGE

Crude oil prices are generally based on a U.S. dollar market price, while certain operating and capital costs will be primarily in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar will therefore give rise to foreign currency exchange exposure. UTS may mitigate the impact of exchange rate fluctuations on the revenue by hedging. There is no assurance that any hedging which may be undertaken by UTS will be successful and, if not successful, could result in a material adverse effect on the Company's financial condition and business.

HEDGING RISKS

The nature of our operations will result in exposure to fluctuations in commodity prices. UTS may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If UTS engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. Additionally, if product prices increase above those levels specified in any future hedging agreements, the Company could lose the cost of floors or ceilings or a fixed price could limit it from receiving the full benefit of commodity price increases.

UTS may also hedge its exposure to the costs of inputs to the Fort Hills Project or UTS' exploration leases. If the prices of these inputs fall below the levels specified in any future hedging agreements, UTS could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

INSUFFICIENT FUNDING

Significant amounts of financing will be required to fund costs associated with the:

(i) design, development and construction of the Fort Hills Project, including costs associated with satisfying the conditions of the regulatory approvals, and amendments to the

regulatory approvals which may be necessary to facilitate a revised scope of future development;

(i) development and construction of the Fort Hills Project so that commercial bitumen extraction operations commence; and

(ii) ongoing operation of commercial bitumen extraction operations at the Fort Hills Project.

We believe we are financed until the first half of 2011 based on current expectations of Fort Hills cost profiles, schedules and other anticipated costs. At or before such time, UTS intends to finance further capital requirements from sales of equity securities, debt securities, borrowings through its partnership arrangement with Petro-Canada and Teck and possibly through the pledging and/or sale of UTS' interest in related assets such as the Equinox Project and the Frontier Project. Capital requirements are subject to capital market risks and a significant improvement in the global economies and financial markets. To the extent that the Company issues additional securities to fund its remaining share of operating and capital requirements, shareholders may suffer dilution.

AVAILABILITY OF CREDIT FACILITIES AND DEBT SERVICE

A Canadian chartered bank has extended to the Company a revolving demand credit facility of up to $15.0 million available to be used by way of letters of credit. Prior to the issuance of a letter of credit under this facility, the Company shall deposit with and pledge to the bank on amount equal to the full face amount of the letter of credit and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Given UTS' expectations for the costs associated with the design, development and construction of the Fort Hills Project, UTS will require a larger credit facility to finance some of the capital costs for development of the Fort Hills Project and that indebtedness under such facility would be secured by a pledge of UTS' partnership units and other related oil sands assets. In addition, it is anticipated that UTS' requirements for credit facilities to finance some of the capital costs for development of the Fort Hills Project will increase with each phase of the Fort Hills Project.

UTS anticipates that any credit facility that it might access for the purpose of financing some of its capital costs for development of the Fort Hills Project will be subject to a number of conditions precedent that must be satisfied by UTS prior to any draw down under such credit facility, including that UTS' lenders be satisfied that UTS has sufficient equity funding to complete the Fort Hills Project. There can be no assurance that at the time of obtaining a credit facility, UTS will be able to satisfy all of the applicable conditions precedent to any such credit facility, in which case UTS will not be able to access such credit facilities to satisfy its capital commitments in respect of the Fort Hills Project.

Even where adequate credit facilities are available to UTS to finance some of its capital costs for development of the Fort Hills Project, there may be risks associated with such borrowing. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of UTS. If the Company does not earn sufficient income from the Fort Hills Project to meet its debt service obligations, the lenders may be able to foreclose on the Company's ownership interest.

There can be no assurance that UTS will have access to credit facilities (i) that are large enough to sufficiently finance UTS' capital costs for development of the Fort Hills Project, (ii) that are available on commercial terms acceptable to UTS, or at all. In the event that any of the foregoing occurs, UTS may be required to seek additional sources of equity or debt in order to complete the Fort Hills Project.

COST OVERRUNS

The total costs to design, develop and construct the Fort Hills Project and commence commercial bitumen extraction operations at the Fort Hills Project have not been and will not be fully determined until the commissioning of the Fort Hills Project is completed. Further, there can be

no assurance that development or construction activities will commence in accordance with expectations or at all. Delays are likely to increase Fort Hills Project costs.

Capital costs associated with the Fort Hills Project under the Company's revised plan of development will not be fully determined until the Fort Hills Project is completed and any information concerning the capital costs to be incurred by the Company for the development of the Fort Hills Project as presently configured or under a revised plan of development is only an estimate. There is no assurance that capital cost overruns will not occur. Moreover, existing oil sands development projects have at times experienced escalating costs and significant cost overruns.

The operating costs of the Fort Hills Project, which have the potential to vary considerably, are significant components of the cost of production of the petroleum products produced by the Fort Hills Project. If significant increases in operating costs are incurred it may have a material adverse effect on the Company.

It should be anticipated that actual costs may vary from the estimates set forth in this MD&A and any such variances may be significant. In the event of cost overruns, UTS may not have enough capital to (i) commence the development or construction of the Fort Hills Project, or (ii) continue with the development or construction of, or complete the Fort Hills Project if development or construction activities are already underway.

UTS does not hold project delay/cost overrun insurance and, even if such insurance is available at a reasonable cost and obtained, there can be no assurance that the coverage amount will be sufficient for all cost overruns, that PCOSI, as the operator of the Fort Hills Project will be able to satisfy the conditions to making a claim under such insurance, that PCOSI will be successful in asserting any claim under such insurance, or that any claims under insurance will be paid in a timely fashion.

In any case, where PCOSI (and any other working interest holders) have insufficient capital to commence or continue the development or construction of the Fort Hills Project, there can be no assurance that alternate financing will be available.

PERSONNEL

The design, development and construction of, and commencement of operations at, the Fort Hills Project, will require experienced executive and management personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees with the necessary expertise will be available. Should other oil sands projects or expansions proceed in the same time frame as the Fort Hills Project, the Fort Hills Project may compete with these other projects for experienced employees and such competition may result in increases to compensation paid to such personnel or a lack of qualified personnel.

Any inability on the part of the Fort Hills Project operator to attract and retain qualified personnel may delay or interrupt the design, development and construction of, and commencement of operations at, the Fort Hills Project. Sustained delays or interruptions could have a material adverse effect on the Fort Hills Project and the financial condition and performance of UTS. In addition, rising personnel costs would adversely impact the costs associated with the design, development and construction of, and commencement of operations at, the Fort Hills Project, which could be significant and material.

ROYALTY REGIME

In the event that the Fort Hills Project is developed and becomes operational under a revised plan of development, the Company's revenue and expenses will be directly affected by the royalty regime applicable to the Fort Hills Project. The economic benefit of future capital expenditures for the Fort Hills Project is, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that the Government of Canada and the Province of Alberta will not adopt a new

royalty regime which will make capital expenditures uneconomic or that the regime currently in place will remain unchanged. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind, as it does currently for conventional oil production. The Government will consider having a portion of its bitumen royalty in-kind volumes commercially upgraded to higher value products in the province.

HYDROCARBON RESOURCES

In February 2009, Sproule completed a geological evaluation of the Fort Hills Project as at December 31, 2008. Sproule concluded that a Best Estimate of contingent resources associated with the Fort Hills Project is 3.9 billion barrels. Sproule also conducted a geological evaluation of the Frontier Project and concluded that a Best Estimate of contingent resources associated with the Frontier Project is 1,550 million barrels. Similarly, Sproule conducted an audit of the contingent bitumen resources for the Equinox Project as at December 31, 2008. Sproule concluded that a Best Estimate of contingent resources associated with the Equinox Project is 330 million barrels. There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond UTS' control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable bitumen and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

Resources estimates may require revision based on actual production experience. Such figures have been determined based upon assumed oil prices and operating costs. Market price fluctuations of oil prices may render uneconomic the recovery of certain grades of bitumen. Moreover, short term factors relating to oil sands resources may impair the profitability of the Fort Hills Project in any particular period.

OPERATIONAL HAZARDS

The development, construction and operation of the Fort Hills Project will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills. An occurrence of this nature might result in the loss of equipment or life, as well as injury or property damage. The development, construction or operation of the Fort Hills Project could be interrupted by natural disasters or other events beyond the control of UTS.

The Fort Hills Project owners are responsible for the:

(i) Fort Hills Project's response to any such occurrence; and

(ii) Fort Hills Project costs associated therewith, which could be substantial.

UTS does not currently carry insurance with respect to all potential casualty occurrences and disruptions. It cannot be assured that the Company's insurance will be sufficient to cover any such casualty occurrences or disruptions. Losses and liabilities arising from uninsured or under

insured events could have a material adverse effect on the Fort Hills Project and on the Company's business, financial condition and results of operations.

Recovering bitumen from oil sands and upgrading the recovered bitumen into synthetic crude oil and other products involves particular risks and uncertainties. The Fort Hills Project is susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions can cause reduced production and in some situations result in higher costs. The costs associated with SCO production are largely fixed and, as a result, operating costs per unit are largely dependent on levels of production.

ABORIGINAL CLAIMS

The legal framework describing treaty and traditional land rights is becoming more definitive following a number of recent court rulings. Addressing these rights is becoming generally more complex and time consuming, particularly following the release in late 2006 and subsequent revisions of the Alberta Government Guidelines for Aboriginal Consultation, in which it expects industry to assume a greater responsibility to consult with aboriginal communities impacted by oil sands exploration and development activities. These requirements can result in time consuming negotiations over compensation for impacting Aboriginal rights. These negotiations can result in slowing of government approvals required to conduct our normal business and indeed result in unplanned project costs.

POTENTIAL CHANGE OF CONTROL TRANSACTION

On January 29, 2009, Total E&P made an unsolicited offer to purchase all of the issued and outstanding common shares for $1.30 per share (the "Offer"). The Offer expires March 30, 2009 at 8:00 p.m. (EDT). On February 9, 2009, UTS announced that the Board of Directors, after a thorough review by the Special Committee of the Board of Directors and in consultation with its financial and legal advisers, determined that the Offer was inadequate and contrary to the best interests of UTS shareholders and recommended that UTS shareholders reject the Offer. Nonetheless, there is a risk that the Offer, an amended offer or some other material transaction could result in a change of control of UTS. In such circumstances, the disclosure contained in this report, and in particular, as it relates to the operations and future business plans of UTS would not likely be accurate as any such transaction is likely to result in new board members and management and would therefore have a significant effect on the operations and future business plans of UTS.

PROPOSED MERGER OF SUNCOR/PETRO-CANADA

On March 23, 2009, Suncor Energy Inc. ("Suncor") and Petro-Canada announced a merger based on a common share exchange. On completion of the proposed transaction, which is subject to shareholder approval of the two companies, compliance with the *Competition Act* and satisfaction of other customary approvals such as regulatory, stock exchange and Court of Queen's Bench of Alberta approvals, the parties to the transaction have indicated that Suncor's existing shareholders will own approximately 60% and Petro-Canada's shareholders will own approximately 40% of the merged company. Suncor and Petro-Canada anticipate that the proposed merger will be completed in the third quarter of 2009. Given that Petro-Canada is UTS' partner in Fort Hills, the merger could have an impact on the development and timing of the Fort Hills Project.

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of UTS Energy Corporation as at December 31, 2008 and 2007 and the consolidated statements of income (loss), other comprehensive income (loss) and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 24, 2009

UTS ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

As at December 31,	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	**$276,185,466**	$360,176,078
Invested cash collateral (note 3)	**14,683,150**	-
Accounts receivable and accrued receivables	**10,932,548**	6,913,183
Corporate income taxes recoverable	**4,974,307**	-
Current portion of sale proceeds receivable (note 4)	**39,126,983**	39,126,983
	345,902,454	406,216,244
Property, Plant and Equipment (note 4)	**521,237,464**	399,392,161
Sale Proceeds Receivable (note 4)	**-**	37,405,400
Other Assets (note 5)	**3,150,000**	3,150,000
	$870,289,918	$846,163,805
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 37,577,408**	$ 16,624,645
Corporate income taxes payable	**-**	6,350,000
	37,577,408	22,974,645
Future Income Taxes (note 6)	**97,477,339**	88,117,900
Asset Retirement Obligation (note 7)	**3,642,200**	1,479,600
	138,696,947	112,572,145
Shareholders' Equity		
Share capital (note 8)	**585,182,107**	587,487,269
Contributed surplus (note 8)	**32,466,535**	20,260,909
Retained earnings	**113,944,329**	125,843,482
	731,592,971	733,591,660
Commitments (note 15)		
Contingencies (note 16)		
Nature of Operations and Going Concern (note 1)	**$870,289,918**	$846,163,805

see accompanying notes to consolidated financial statements

On behalf of the Board:

Bruce C. Galloway
Director

John D. Watson
Director

UTS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS), OTHER COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS

Year ended December 31,	**2008**	2007
Interest	**$ 12,866,761**	$ 7,370,954
Gain on disposition of property, plant and equipment (note 4)	**4,800**	184,203,357
	12,871,561	191,574,311
Expenses		
General and administrative	**13,569,542**	14,690,865
Depreciation and amortization (note 4)	**5,385,553**	205,598
Other (note 13)	**9,318,487**	-
Change in fair value of third party asset-backed commercial paper (note 5)	**-**	1,200,000
	28,273,582	16,096,463
Income (loss) before income taxes	**(15,402,021)**	175,477,848
Income taxes (note 6)		
Current (recovery)	**(5,707,806)**	6,350,000
Future (reduction)	**2,204,938**	31,756,252
	(3,502,868)	38,106,252
Net income (loss) and other comprehensive income (loss)	**(11,899,153)**	137,371,596
Retained Earnings (deficit), beginning of year	**125,843,482**	(11,528,114)
Retained Earnings, end of year	**$113,944,329**	$125,843,482
Net income (loss) per share - basic (note 10)	**$(0.03)**	$0.32
- diluted (note 10)	**$(0.03)**	$0.31
Weighted average common shares outstanding - basic (note 10)	**473,379,139**	432,704,416
- diluted (note 10)	**473,379,139**	437,161,954

see accompanying notes to consolidated financial statements.

UTS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Year ended December 31,	2008	2007
Cash Provided by (Used in):		
Operations		
Net income (loss) from operations	**$ (11,899,153)**	$137,371,596
Items not involving cash:		
Future income tax	**2,204,938**	31,756,252
Stock-based compensation expense	**6,883,216**	7,698,020
Impairment in value of asset-backed commercial paper	**-**	1,200,000
Depreciation and amortization	**5,385,553**	205,598
Gain on disposition of oil sands lease interests	**(4,800)**	(184,203,357)
Accretion of sale proceeds receivable	**(2,594,600)**	(1,734,928)
	(24,846)	(7,706,819)
Change in non-cash working capital	**(15,116,424)**	9,125,796
	(15,141,270)	1,418,977
Investing		
Net additions to property, plant and equipment	**(116,970,253)**	(45,368,130)
Net proceeds received on disposition of property, plant and equipment	**40,004,800**	41,333,960
Invested cash collateral	**(14,683,150)**	-
Investment in other assets	**-**	(4,350,000)
Change in non-cash working capital	**20,725,515**	3,625,763
	(70,923,088)	(4,758,407)
Financing		
Issue of common shares	**2,073,746**	264,418,190
Increase (decrease) in cash and short-term deposits	**(83,990,612)**	261,078,760
Cash and cash equivalents, beginning of year	**360,176,078**	99,097,318
Cash and cash equivalents, end of year	**$276,185,466**	$360,176,078
Income taxes paid	**$ 5,666,732**	$ -
Interest received	**2,807**	-

see accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

1. Nature of Operations and Going Concern

UTS Energy Corporation (the "Company" or "UTS") is a development stage enterprise whose principal focus is the creation of shareholder value through the production of bitumen from the oil sands deposits associated with the leases related to each of the Fort Hills Oil Sands Project ("Fort Hills Project"), the Frontier Project and the Equinox Project (both of which are defined below) in addition to the development of the Company's other exploration lands located in Alberta's Athabasca oil sands region.

UTS does not have any production revenue and will not until bitumen production begins at the Fort Hills Project, which is expected to occur in late 2013 or early 2014. The purpose of the Fort Hills Project is to develop, mine, extract and sell the recoverable clean bitumen from certain oil sands deposits underlying approximately 46,698 acres of the contiguous oil sands Leases T05, 008 and T52 (the "Fort Hills Project Leases") in Alberta's Athabasca oil sands region approximately 90 kilometres north of Fort McMurray. Government regulators have granted the major permits and approvals required to proceed with construction and development of facilities for the production of up to 235,000 barrels per day or 190,000 barrels per day annualized of clean bitumen from these leases. Certain of these permits and approvals will require further amendment to reflect the Company's proposed plan of development that is a modification to that contemplated and authorized by the existing regulatory approvals.

Beyond the Fort Hills Project, UTS is expanding the scope of its opportunities through the continued exploration and evaluation of the development potential of its other oil sands leases. In addition to its 20% interest in the Fort Hills Project, UTS also has a 50% working interest in the Equinox oil sands mining project (the "Equinox Project") comprising 7,147 acres and a 50% working interest in the Frontier oils sands mining project (the "Frontier Project") comprising 65,280 acres. Management of UTS consider both the Equinox Project and the Frontier Project to be mineable oil sands projects with earliest possible production by 2016 and 2018, respectively.

In addition to these projects, UTS holds a 50% interest in 148,480 and 94,080 acres, respectively, of exploration lands to the east and west of the Athabasca River, which includes the recent discovery from Leases 421, 022 and 023. The remaining 50% interest in all lands outside Fort Hills is held by Teck Cominco Limited. ("Teck").

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business. The recoverability of capitalized costs is dependent on the successful completion and operation of the various projects noted above. Capitalized costs incurred to date, less amounts recovered or written off, do not necessarily represent present or future values. The Company's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements and to eventually generate positive cash flows from its various projects. These financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, its 20% interest in the Fort Hills Energy Limited Partnership (the "Fort Hills Partnership") and its proportionately consolidated 50%

interest in the joint ventures with Teck. Refer to Note 15 for further discussion regarding the Fort Hills Partnership.

b) Financial Instruments

Effective January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook accounting standards - Section 3862 Financial Instruments-Disclosures and Section 3863 Financial Instruments-Presentation, which require additional disclosures regarding the Company's financial instruments. On January 1, 2007, the Company had adopted CICA Handbook accounting standards regarding financial instruments (sections 3855 and 3861), other comprehensive income (section 1530), equity (section 3251) and hedges (section 3865). These standards require changes in accounting for financial instruments, hedges and the concept of comprehensive income which is a separate component of shareholders' equity. These standards have been adopted retroactively without restatement.

Financial instruments are required to be classified in one of five ways: (i) held for trading; (ii) held to maturity; (iii) loans and receivables; (iv) available-for-sale; or (v) other financial liabilities. The Company's cash and cash equivalents and invested cash collateral are considered held to maturity and the amortized costs they are carried at approximate their fair values due to their short term nature. Other assets, comprised of asset-backed commercial paper held by the Company, are considered held to maturity, but are carried at estimated fair value due to impairment. Accounts receivable, accounts payable and related accruals are carried at amortized cost which approximate fair values due also to their short term nature. The sale proceeds receivable from Teck was initially recognized at fair value and subsequently presented at amortized cost using the effective interest method. The Company does not currently participate in any hedging activities.

Other comprehensive income represents items such as the change in equity arising from unrealized gains and losses from financial instruments designated as available-for-sale and changes in fair market value of derivatives designated as hedges, and is presented as a separate component of shareholders' equity on the balance sheet. The Company does not have any other comprehensive income.

Sections 3862 and 3863 require disclosure of qualitative and quantitative information to enable users of financial statements to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The new standards did not have any impact on the Company's interim financial results.

c) Property, Plant, and Equipment

The Company has adopted the Canadian Accounting Standard for Enterprises in the Development Stage. All direct costs relating to the development of the Fort Hills Project to date, including capital expenditures and pre-operating costs are capitalized, including the cost of the acquisition of leases, exploration and development, interest and administrative costs that are directly related to development activities. When production begins, these capitalized costs will be amortized following the unit-of-production method based on proved reserves.

The carrying values of property, plant and equipment are not intended to reflect their future value. In particular, the future value of the property, plant and equipment of the Fort Hills Project depends on the start-up of commercial production, the ability of the Company to obtain financing and the future profitability of the Fort Hills Project. Accordingly, property, plant and equipment are assessed in each reporting period to determine if there are events or circumstances that would

indicate it is unlikely such costs will be recovered in the future. If there are costs that are considered unlikely to be recovered, they are charged to earnings.

Amortization of property, plant and equipment of the Fort Hills Project will be provided following the unit-of-production method based on proved reserves when production begins. Office equipment and leaseholds are depreciated on a straight-line basis over the estimated service lives of the assets.

d) Asset Retirement Obligations

The Company accounts for its obligations associated with the retirement of long-lived assets and the related asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction and development and use of the asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying value of the associated asset. The liability is accreted at the end of each period through charges to the carrying value of the associated asset if in a pre-operating stage, or expensed after the property has been developed and put into production.

e) Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities.

Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

f) Stock-Based Compensation

The Company accounts for stock options, share appreciation rights, and deferred share units granted subsequent to January 1, 2002 utilizing the fair value method to calculate a fair value of the stock award granted and recording that fair value as compensation expense over the vesting period of the award with a corresponding increase in contributed surplus. Upon the exercise of these stock options, share appreciation rights and deferred share units, the consideration received by the Company and the contributed surplus associated with the award are credited to share capital.

g) Per Share Amounts

The Company reports per share amounts using the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, dilutive instruments create an impact on the dilution calculation where the current value of the dilutive instrument exceeds its exercise price and the Company has positive earnings.

h) Flow Through Shares

Share capital includes flow through shares issued pursuant to certain provisions of the Income Tax Act (Canada), which provide that where share issuance proceeds are used to fund exploration and development expenditures, the related income tax deductions may be renounced to the subscribers for those shares. Future income taxes are recorded and share capital is reduced by the tax effect of the related expenditures when the expenditures are renounced.

i) Cash and Cash Equivalents

Cash and cash equivalents comprise deposits with banks and investments with initial maturities of three months or less.

j) Capital Disclosures

Effective January 1, 2008, the Company adopted CICA Handbook Section 1535 Capital Disclosures, which require additional disclosures regarding the Company's financial instruments and its capital management policies. Capital Disclosures requires the disclosure of (i) qualitative discussion regarding an entity's objectives, policies and processes for managing capital; (ii) quantitative data regarding what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard requires additional disclosure only and did not have any impact on the Company's interim financial results.

k) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates as future confirming events occur. Significant estimates used in the preparation of the financial statements include, but are not limited to, assumptions surrounding the valuation of sale proceeds receivable, accrued liabilities, asset retirement obligations, future income taxes, impairment of assets, and stock-based compensation.

l) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Invested Cash Collateral

The Company has chosen to pledge cash as collateral against two letters of credit currently outstanding totalling $14,683,150. The cash is currently invested in a 90 day term deposit and is therefore not available for use by the Company for other purposes; therefore it has not been included in cash and cash equivalents at December 31, 2008.

4. Property, Plant and Equipment

December 31,	2008	2007
Fort Hills Project	**$348,334,790**	$284,660,199
Other leases and exploration / development costs	**172,668,742**	114,603,722
Office equipment and leaseholds	**906,579**	681,894
Less: Accumulated amortization	**(672,647)**	(553,654)
Net book value	**$521,237,464**	$399,392,161

During the year ended December 31, 2008, $10,865,442 (2007 - $11,053,345) of general and administrative expenses were capitalized to property, plant & equipment, including $6,073,502 (2007 - $4,737,214) of stock-based compensation. A total amount of $ 1,272,830 of this G&A capitalized is recoverable from Teck for their 50% portion of cash G&A pertaining to UTS/Teck joint venture activities for the year ended December 31, 2008 (2007 - $1,675,336).

The funding of the Company's 20% working interest share of Fort Hills Project expenditures by the Company's Fort Hills Partners on the Company's behalf results in the Company's PP&E balances in these financial statements increasing only by the expenditures actually funded by the Company itself during the earn-in period (ie - until the first $7.5 billion of fort Hills Project expenditure has occurred). The Company is funding the first $2.5 billion of Fort Hills Project expenditures at 4%, or $100 million, and will fund the ensuing $5 billion at 5%, or $250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20% interest share of expenditures.

For the year ended December 31, 2008, Fort Hills Project spending by Fort Hills Partners on UTS' behalf, totalled $459.6 million (2007 - $98.5 million). Cumulative spending to December 31, 2008 by Fort Hills Partners on UTS' behalf totals $653.6 million. At December 31, 2008, $746.4 million of Fort Hills Project funding remains committed by Fort Hills Partners on UTS' behalf. UTS will receive 20% of the cash flows upon commencing operations for its 20% working interest, even though the Company will have paid less than 20% of the Fort Hills Project costs for its 20% interest in the Fort Hills Partnership units.

In the fourth quarter of 2008, the Fort Hills Partnership agreed to defer the final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment can be established. Opportunities for cost reductions, execution efficiencies, and the overall project schedule for bitumen production will be evaluated in the coming months. The Sturgeon upgrader portion of the Fort Hills Project will be put on hold and a decision on whether to proceed with the upgrader will be made at a later date. Once this work is complete, the Fort Hills Partnership will develop a definitive cost estimate. As a result, some existing equipment supply and service agreements have been suspended or terminated. The Fort Hills Partnership has recorded estimated termination costs for such contracts; UTS' funded portion of these totals $8,356,000 and has been reported as other expense in the Statement of Income (Loss), Comprehensive Income (Loss) and Retained Earnings for the year ended December 31, 2008. Refer to Note 13. As a result of the deferral of the final investment decision on both the mining and upgrading portions of the Fort Hills Project, UTS has recognized its funded portion of an impairment charge on certain property, plant and equipment totaling $5,266,560, which is included in depreciation and amortization expense in the Statement of Income (Loss), Comprehensive Income (Loss) and Retained Earnings for the year ended December 31, 2008.

During the year ended December 31, 2007, the Company disposed of 50% of its interest in Lease 14 (Equinox Project) to Teck and 100% of Lease 634 to the Fort Hills Energy Limited Partnership.

(a) Lease 14:

On September 5, 2005, a letter of intent was signed by UTS and Teck, setting out in broad terms the basis upon which UTS would enter into an agreement to grant Teck a right of first offer at fair market value for up to a 50% working interest in Lease 14 (Equinox Project), conditional upon full delineation of the lease and the determination, both at the discretion of UTS, that the best use of Lease 14 (Equinox Project) would be to develop it as a satellite mine to the Fort Hills Project, subject to agreement of the Fort Hills Partnership. This agreement was revised with the signing of the Lease 311 letter agreement between UTS and Teck to remove the condition that the best use of Lease 14 (Equinox Project) be to develop it as a satellite mine to the Fort Hills Project, thereby allowing Teck the right to participate for up to 50% of Lease 14 (Equinox Project) at fair market value conditional upon full delineation of Lease 14 (Equinox Project).

On April 19, 2007, the Company announced that it had entered into a letter of intent under which Teck would acquire a 50% working interest in Lease 14 (Equinox Project) for approximately $200 million. The price was based on a value of $1.00 per barrel and an assumed bitumen resource of approximately 400 million barrels. The transaction provided for a final adjustment to take place once the full analysis on Lease 14 (Equinox Project) drilling results was complete which occurred in the fourth quarter of 2007. A provision existed for the sale price to be adjusted up or down by a maximum of $50 million based on a resource estimate to reflect a maximum of 500 million barrels and a minimum of 300 million barrels at $1.00 per barrel. Subject to this potential adjustment, this transaction closed on June 28, 2007. As announced by the Company on December 3, 2007, the third party resource estimate fixed the transaction volume at 400 million barrels. The sale price is to be received in three instalments as follows:

(i) 60% of the base price of $200 million, or $120 million, less the loan balance of $79.4 million owing by UTS to Teck (note 4). This payment, totaling $40.6 million, was received on the closing date of June 28, 2007;

(ii) 50% of the remaining adjusted purchase price, or $40 million, was received on June 28, 2008; and

(iii) 50% of the remaining adjusted purchase price, or $40 million, comes due on June 28, 2009.

The final two instalments of proceeds had been discounted by $5.2 million at a rate of 4.5% over the time remaining to their respective due dates. Accretion of the sale proceeds receivable has been recognized as follows and is included with interest income on the statement of operations.

Discount to be accreted at June 28, 2007	$5,202,545
Accretion	(1,734,928)
Discount to be accreted at December 31, 2007	3,467,617
Accretion	(2,594,600)
Discount remaining to be accreted at December 31, 2008	$ 873,017

As general and continuing collateral security for the due payment of the adjusted purchase price, Teck has granted to the Company a security interest in the purchaser's right, title and interest in and to the assets acquired.

The discounted proceeds on the disposition were therefore $194,797,455 and the resultant gain on disposition was $184,215,355.

(b) Lease 634:

On June 21, 2007, a conveyance agreement was executed between Fort Hills Energy Corporation, a related party, and the Company, the purpose of which was to transfer Lease 634 into Fort Hills Energy Corporation for proceeds of $725,000, which approximated the fair value of the lease. The net book value of the lease was $720,558, resulting in a gain on disposition of $4,442.

5. Other Assets

At December 31, 2007, the Company held third party asset-backed commercial paper ("ABCP") with an original cost of $4.30 million and par value upon maturity of $4.35 million. At the time of acquisition, these investments were rated R1 (High) by Dominion Bond Rating Service ("DBRS"), the highest credit rating issued for commercial paper. These investments matured during the third quarter of 2007, but did not settle on maturity as a result of the unprecedented liquidity issues in the ABCP market.

On December 23, 2007, the Pan Canadian Committee (the "Committee") approved an agreement in principle to restructure the ABCP issued by twenty trusts, which included the investments held by the Company. As a result, the Company reclassified its investment in this paper as a long-term asset. The Company has not been able to access information relating to the assets underlying its investments and has relied upon guidance provided by DBRS and the Committee. There were no market quotations available for the ABCP investments held by the Company. Therefore, the Company had estimated the fair value of its investment in ABCP via a discounted cash flow approach. The following factors and assumptions were used in the calculation: maturity over seven years, principal reductions of up to 50% depending upon the nature of the underlying assets as indicated by the Committee and DBRS, restructuring fees, and average discount rate of 5.49%. Based on this calculation, an impairment of $1.2 million had been recognized and the long-term asset was valued at $3.15 million at December 31, 2007.

On March 17, 2008, a court order was obtained through which the restructuring of the ABCP is expected to occur under the protection of the Companies' Creditors Arrangement Act ("CCAA"). On March 20, 2008, the restructuring committee issued information containing details on the proposed restructuring. Due to the complexity of the restructuring, it was still not implemented by December 31, 2008. The Company had estimated that if the restructuring plan was implemented its investment would be converted to the following series of notes:

MAV2 Notes:
Class A1 - $858,000
Class A2 - $1,523,000
Class B - $262,000
Class C - $82,000

Tracking Notes:
IA Tracking Notes - $1,625,000

No market quotations are yet available for the ABCP investments held by the Company; therefore, the Company has estimated the fair value of its investment in ABCP via a discounted cash flow approach based on the following assumptions:

Average maturity		7 years
Credit losses	- MAV Notes	0% to 80%
	-Tracking Notes	50% to 100%
Average Interest Rate (net of margin facility fees)		2.7%
Average Discount Rate		7.50%

Increasing the discount rate by 1% would increase impairment by approximately $200,000. The fair value estimated above, based on information available at December 31, 2008, does not vary materially from the value of $3.15 million as estimated at December 31, 2007 and therefore, no further impairment has been recorded for the year ended December 31, 2008.

Subsequent to December 31, 2008, additional information became available with the closing of restructuring plan and the replacement of the old notes with the new notes issued under the restructuring plan. Any further impairment indicated by the consideration of information released subsequent to December 31, 2008 would be immaterial and will be considered in further detail in its financial statements for the first quarter of 2009. The Company's ABCP holdings were not a significant portion of the Company's investment portfolio and therefore, will not affect the Company's liquidity or the Company's business in a significant way.

6. Income Taxes

(a) The provision for income tax expense differs from that which would be expected by applying the combined statutory rates. A reconciliation of the difference is as follows:

Year ended December 31,	**2008**	2007
Basic rate	**29.5%**	32.12%
Computed income tax (recovery) at basic rate	**$(4,543,596)**	$56,363,485
Increase (decrease) resulting from:		
Non-deductible charges	**2,053,249**	2,488,435
Decrease in valuation allowance	**-**	(1,930,880)
Adjustment to reflect change in tax rates and other	**(1,012,521)**	(18,814,788)
	$(3,502,868)	$ 38,106,252

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are as follows:

December 31,	**2008**	2007
Future tax assets:		
Share issue costs and other	**$ 2,027,984**	**$ 3,966,385**
Total gross future tax assets	**2,027,984**	**3,966,385**
Future tax liabilities:		
Oil sands lease investments	**99,505,323**	**92,084,285**
Total gross future tax liabilities	**99,505,323**	**92,084,285**
Net future tax liability	**$ 97,477,339**	**$ 88,117,900**

The Company intends to recover an estimated $4.9 million in corporate income taxes paid in 2007 by carrying the 2008 loss for income tax purposes back to 2007, which has been reflected in these financial statements.

7. Asset Retirement Obligation

The Operator of the Fort Hills Project, Petro-Canada Oil Sands Inc. (a subsidiary of Petro-Canada), has provided a revised cost estimate for the eventual site restoration of the Fort Hills Project's current disturbances. The undiscounted, inflated future cash flow estimate has been revised upward to

$125.9 million from $47.3 million. Using assumptions that estimate the life of the Fort Hills Project to be 40 years, an inflation factor of 1.025% (2007 – 2.5%) and a credit adjusted risk-free interest rate discount factor of 7.5% (2007 – 6.3%), the fair value of the Company's 20% share of the site restoration costs has been estimated as follows:

Balance, December 31, 2006	$ 132,300
Obligations incurred	1,957,200
Accretion	44,800
Reduction in working interest	(453,400)
Change in estimate	(201,300)
Balance, December 31, 2007	1,479,600
Obligations incurred	2,142,400
Accretion	72,000
Change in estimate	(51,800)
Balance, December 31, 2008	$3,642,200

8. Share Capital

a) Authorized:

Unlimited number of common shares without nominal or par value.

b) Issued:

Changes in capital stock are as follows:

	Number of Shares	Consideration
Issued, December 31, 2006	427,307,073	$324,366,522
Issue of flow-through shares and common shares, net of issue costs (net of $2,825,000 tax effect) - see (i)	44,500,000	267,024,780
Issued on exercise of share purchase options	448,334	351,167
Transfer from contributed surplus on exercise of share purchase options	-	268,800
Tax effect of flow-through share offering	-	(4,524,000)
Issued, December 31, 2007	472,255,407	$587,487,269
Issued on exercise of share purchase options	1,466,667	1,681,334
Transfer from contributed surplus on exercise of share purchase options	-	370,917
Tax effect of flow-through share offering	-	(5,130,000)
Issued on exercise of share appreciation rights	410,177	392,412
Transfer from contributed surplus on exercise of share appreciation rights	-	149,155
Issued on settlement of deferred share units	37,404	-
Transfer from contributed surplus on settlement of deferred share units	-	231,020
Issued December 31, 2008	474,169,655	$585,182,107

(i) On November 19, 2007, the Company completed a public offering on a bought deal basis of 41.8 million common shares at a price of $6.10 per share and 2.7 million common shares issued on a flow-through basis at a price of $7.60 per share, for total gross proceeds of $275.5 million and net proceeds of $264.2 million after direct expenses. The gross proceeds of the flow through share offering of $20.5 million have been fully spent on qualifying exploration expenditures by December 31, 2008.

c) Contributed Surplus

The following table reconciles contributed surplus for the years ended December 31, 2008 and 2007.

Balance, December 31, 2006	$8,094,475
Stock-based compensation expense	7,698,020
Stock-based compensation capitalized to property, plant and equipment	4,737,214
Exercise of share purchase options previously recognized	(268,800)
Balance, December 31, 2007	$20,260,909
Stock-based compensation expense	6,883,216
Stock-based compensation capitalized to property, plant and equipment	6,073,502
Exercise of share purchase options previously recognized	(751,092)
Balance, December 31, 2008	$32,466,535

d) Shareholder Rights Plan

On February 24, 2005, the Board of Directors of the Company adopted a Shareholder Rights Plan (the "Plan"). The Plan was confirmed by the Company's shareholders at the Annual and Special Meeting of shareholders held on May 26, 2005.

9. Stock-based Compensation

The Company uses the fair value method to calculate a fair value for stock-based compensation and records that fair value as an expense over the vesting period of the award. The fair value of each award granted since January 1, 2002 under the Company's Incentive Stock Option Plan ("Option Plan"), Share Appreciation Rights Plan ("SAR Plan") and Deferred Share Unit Plan ("DSU Plan") is estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions for the year ended December 31, 2008: risk free interest rates ranging from 2.81% to 3.19% (2007 – 3.65% to 4.43%), expected lives of four to five years (2007 – four years), and estimated volatility ranging from 52% to 61% (2007 – 57% to 61%). This fair value is amortized over the vesting period of the award. The weighted average fair value of stock options ("options") granted during the year was $2.40 (2007 - $2.51) and the weighted average fair value of deferred share units ("DSUs") granted during the year was $5.48 (2007 - $5.14). The weighted average fair value of SARs granted during 2007 was $2.20 (2006 - $nil). The following amounts have been recognized as stock-based compensation cost:

Year ended December 31,	**2008**	2007
Option Plan	**$11,390,091**	$9,200,990
SAR Plan	**223,167**	228,192
DSU Plan	**1,343,460**	3,006,052
	12,956,718	12,435,234
Capitalized to Property, Plant and Equipment	**(6,073,502)**	(4,737,214)
	$ 6,883,216	$7,698,020

a) Incentive Stock Option Plan

The Company has an Option Plan under which it may grant options to officers and employees. The shareholders of the Company have approved the maximum number of common shares which may be issued pursuant to the Option Plan of 30 million common shares. The exercise price of each option is not less than the market price of the Company's common shares on the last trading day preceding the grant, and an option's maximum term is 10 years. The options may be surrendered by the holder with the consent of the Company for common shares with a value equal to the capital appreciation inherent in the option surrendered. A maximum of one-third of such options granted pursuant to the Option Plan shall be exercisable on each of the first, second and third anniversaries of the date of grant until expiry. The following activity occurred during the years ended December 31, 2008 and 2007:

	Range of Exercise Price	Weighted Average Exercise Price	Options Outstanding	Options Exercisable
Outstanding, December 31, 2006	$0.30 - 6.53	$2.90	13,860,677	5,021,224
Granted	4.47 - 6.15	5.11	4,545,300	
Exercised	0.30 - 0.80	0.78	(448,334)	
Forfeited	0.30 - 5.10	1.05	(599,884)	
Outstanding, December 31, 2007	0.30 - 6.53	3.59	17,357,759	8,441,391
Granted	2.95 – 5.50	5.49	3,890,640	
Exercised	0.86 – 1.25	1.47	(1,466,667)	
Outstanding, December 31, 2008	$0.30 – 6.53	$4.15	19,781,732	11,039,992

The following table summarizes information concerning options outstanding at December 31, 2008.

	Total Options Outstanding			Exercisable Options	
Range of Exercise Price	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Less than $1.00	3,937,292	5.62	$0.83	3,937,292	$0.83
$1.01 - $5.00	4,563,700	7.31	3.46	3,662,733	3.30
$5.01 - $5.50	8,330,940	8.84	5.29	1,485,100	5.11
Greater than $5.50	2,949,800	7.42	6.41	1,954,867	6.42
	19,781,732	7.64	$4.15	11,039,992	$3.22

b) Share Appreciation Rights Plan

The Company has a SAR Plan under which it may grant SARs to non-executive directors. The shareholders of the Company have approved the maximum number of common shares which may be issued pursuant to the SAR Plan of 3 million common shares. The exercise price of each right is not to be less than the market price of the Company's common shares on the last trading day preceding the grant and a right's maximum term is 10 years. The rights may be surrendered or exchanged by the holder with the consent of the Company for common shares with a value equal to the capital appreciation inherent in the right surrendered or exchanged. Rights granted pursuant to the SAR Plan shall be exercisable commencing not earlier than the first anniversary of grant. The following activity occurred during the years ended December 31, 2008 and 2007:

	Range of Exercise Price	Weighted Average Exercise Price	SARs Outstanding	SARs Exercisable
Outstanding, December 31, 2006 and 2007	$0.30 - 7.42	$2.15	1,163,317	1,163,317
Granted	3.56 – 5.50	4.53	200,000	
Exercised	0.30 – 4.60	1.01	(410,177)	
Forfeited	7.42	7.42	(105,391)	
Outstanding, December 31, 2008	$0.30 – 7.42	$2.63	847,749	647,749

The following table summarizes information concerning share appreciation rights outstanding at December 31, 2008:

	Total SARs Outstanding			Exercisable SARs	
Range of Exercise Price	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Less than $1.00	292,107	4.96	$0.53	292,107	$0.53
$1.01 - $5.00	349,316	4.95	2.12	249,316	$1.54
$5.01 - $5.50	100,000	9.37	5.50	-	-
Greater than $5.50	106,326	7.28	7.41	106,326	$7.41
	847,749	5.77	$2.63	647,749	$2.24

c) Deferred Share Unit Plan

The Company has a DSU Plan under which it may grant DSUs to non-executive directors and *selected employees.* The maximum number of deferred share units available for issuance under the Deferred Share Unit Plan is 2.5 million DSUs. Under the DSU Plan, non-executive directors can elect to receive a portion of their retainer fees in DSUs and selected employees can elect to receive up to 100% of their annual performance bonus in DSUs. Such elections must be made in advance of the determination of bonuses in the case of selected employees, and prior to the year in which the non-executive directors' retainers will be earned in accordance with plan provisions. The DSU Plan also provides the Governance, Compensation and Nominating Committee the authority to make discretionary grants of DSUs to non-executive directors as an additional component of their compensation and to selected employees as part of their annual remuneration. Once a non-executive director or selected employee ceases employment, by way of termination, resignation, retirement, disability or death, the Company can, in its sole discretion, either settle the obligation in cash equal to the number of DSUs held by the person multiplied by the previous five day weighted average trading price of the Company's common shares, or in common shares on a one for one basis for each DSU held by the person. DSUs issued pursuant to the DSU Plan, together with all of the Company's other previously established security based compensation arrangements, may not result at any time in the aggregate number of common shares reserved for issuance from the Company's treasury to insiders exceeding 10% of the outstanding issue or the issuance to insiders from the Company's treasury, within a one year period, of an aggregate number of common shares exceeding 10% of the outstanding issue. The DSU Plan is an unfunded plan and any obligations of the Company under the DSU Plan are unsecured. Compensation expense of $1,343,461 relating to these DSUs has been recognized

during the year ended December 31, 2008 (2007 - $3,006,053). The following activity occurred during the years ended December 31, 2007 and 2008:

	Number of DSU's Granted
Outstanding, December 31, 2006	179,000
Granted	584,875
Outstanding, December 31, 2007	763,875
Granted	507,825
Settled	(46,755)
Outstanding, December 31, 2008	1,224,945

10. Per Share Computations

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

Year ended December 31,	**2008**	2007
Numerator for basic and diluted earnings per share		
- net income (loss)	**$(11,899,153)**	$137,371,596
Denominator for basic earnings per share		
- weighted average number of shares	**473,379,139**	432,704,416
Denominator for diluted earnings per share:		
- weighted average number of shares	**473,379,139**	432,704,416
- effect of dilutive employee stock options	-	3,525,200
- effect of dilutive share appreciation rights	-	771,473
- effect of dilutive deferred share units	-	160,865
Denominator for diluted earnings per share	**473,379,139**	437,161,954
Net income (loss) per share - basic	**$(0.03)**	$0.32
Net income (loss) per share - diluted	**$(0.03)**	$0.31

Excluded from the calculations for the year ended December 31, 2008 are 19,781,732 (2007 - 3,049,800) outstanding stock options with an exercise price range of $0.30 - $6.53 (2007 - $5.38 - $6.53) and 847,749 (2007 - 211,717) outstanding share appreciation rights with an exercise price of $0.30 - $7.42 (2007 - $6.42 - $7.42) and 1,224,945 (2007 – 603,010) DSUs as they are currently anti-dilutive for the current year as a result of the Company's net loss.

11. Credit Facility

The Company has arranged a revolving demand credit facility of up to $15 million with a Canadian chartered bank. The facility is available to be used by way of Letters of Credit ("LC") in Canadian dollars, is repayable on demand and, prior to the issuance of each LC, the Company shall deposit with and pledge to the bank an amount in Canadian dollars equal to the full face amount of the LC and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Issuance fees for LCs issued under this facility shall be $0.50% per annum, and any overdue fees shall bear interest at bank prime plus 5% per annum.

On November 30, 2007 an LC was posted with ATCO Electric Limited in the amount of $940,000 in respect of the Company's 20% share of the Fort Hills Bitumen Extraction and Processing Facility electrical interconnection. This LC was reissued under the current credit facility.

On December 15, 2008 an LC was posted with Alberta Environment in the amount of $13,743,150 as security in respect of the Company's 20% share of future mine site reclamation for the Fort Hills Project. This LC was intended to replace an LC posted with Alberta Environment on December 7, 2007 in the amount of $2,848,733, which was in the process of being returned at December 31, 2008, but was not received and cancelled by the bank until January 2009; therefore it was still outstanding at December 31, 2008.

12. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing to fund its activities. The Company currently has no bank debt but has a credit line in place of $15 million, which has been used to fund the $14,683,150 in LCs posted by the Company. Capital managed as at December 31, 2008 and 2007 is as follows:

	December 31, 2008	December 31, 2007
Bank Credit Facility	$ 15,000,000	$ 5,000,000
Shareholders' Equity	731,592,971	733,591,660
Capital Managed	$746,592,971	$738,591,660

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the year ended December 31, 2008.

The Company is not subject to externally imposed capital requirements at this time. A requirement of a recent financing occurring in November 2007 was that $20.5 million of flow through share subscription proceeds be utilized to fund qualifying Canadian Exploration Expenditures in order that the amount may be renounced to participating shareholders. The funds have since been spent on qualifying Canadian Exploration Expenditures, thereby satisfying that particular capital requirement.

13. Other Expense

Other expense comprises the following:

Fort Hills contract termination costs – See Note 4	$8,356,000
Financing costs written off	962,487
	$9,318,487

During the year ended December 31, 2008, the Company engaged a number of independent consultants to assist in preliminary financing activities. These costs have been written off as the Company does not anticipate actively pursuing its financing activities over the coming year due to the deferral of the final investment decisions on the Fort Hills Project (see Note 14) pending a revised cost estimate and the resulting reduced spending profile for the ensuing fiscal year.

14. Financial Instruments

The carrying value of the Company's short-term financial instruments including cash and short term deposits, cash pledged as collateral, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

Note 3 sets out assumptions made and methodology followed in assessing a fair value for the impaired asset-backed commercial paper held by the Company, which is now being represented as a long term investment.

The non-interest bearing sale proceeds receivable have been discounted using a credit adjusted risk free interest rate of 4.5% and assuming payment in two instalments of $40 million each on June 28, 2008 and 2009. In 2008, amortization of this discount resulted in $2,594,600 (2007 - $1,734,928) of interest income.

The Company's risk exposure associated with its financial instruments is summarized below.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Company strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Liquidity risk is currently low due to the cash and cash equivalents held by the Company as well as the Fort Hills Partnership Agreements held with Petro-Canada and Teck whereby UTS is only required to fund $350 million of the first $7.5 billion of expenditure as the Fort Hills Partners earn their working interest in the Fort Hills Project by funding a portion of UTS' working interest expenditure. However, with current turmoil in the capital markets, improvement is necessary to fund the remaining capital expenditures.

Regarding Fort Hills Project costs, the Front End Engineering Design ("FEED") studies advanced sufficiently during the third quarter of 2008 to allow a preliminary revised capital cost estimate of $25.3 billion, including expenditures to date, to be determined for the first phase of the Fort Hills Project. This cost estimate has not been approved by the Fort Hills Partnership. While cost pressures were anticipated, the magnitude of the increase in this preliminary estimate was unexpected with the largest increases being experienced in direct labour costs, indirect costs and owner's costs. There was also a substantial increase in contingency and escalation, although greater cost certainty would usually be expected after the FEED phase. In the fourth quarter of 2008, the Fort Hills Partnership agreed to defer the final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment can be established. Opportunities for cost reductions, execution efficiencies, and the overall project schedule for bitumen production will be evaluated in the coming months. The Sturgeon upgrader portion of the Fort Hills Project will be put on hold and a decision on whether to proceed with the upgrader will be made at a later date. These actions are expected to result in a significantly lower Phase I cost estimate.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its holdings of asset-backed commercial paper, other cash equivalents, accounts receivable and sales proceeds receivable. The asset-backed commercial paper is carried at estimated fair value of $3.15 million after recognizing an impairment charge in 2007 of $1.20 million from its original par value of $4.35 million. The credit worthiness of these investments remains questionable pending the outcome of the restructuring efforts currently underway.

Sales proceeds receivable of $39.1 million and approximately $8.4 million of accounts receivable are due from joint venture partners. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditure budgets prior to expenditure.

Cash and cash equivalents held by the Company are only invested with counterparties meeting credit quality requirements and issuer and concentration limits as set out in the Company's investment guidelines. UTS' cash investment policy and guidelines are reviewed periodically and are currently very conservative, emphasizing security of assets over investment yield. Therefore, the Company's management believe that credit risk associated with these investments is minimal.

There is also an element of credit risk associated with the Fort Hills Partnership Agreements noted above in the Liquidity Risk section. If Petro-Canada and Teck failed to discharge their obligations under those agreements, UTS could incur financial loss and therefore the Company continues to monitor credit risks and markets.

(c) Market Risk

The three components of market risk are interest rate risk, price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Company's investment policy requires that the investments acquired be short term in nature and investments are held through to maturity.

The Company is exposed to changes in interest rates on its credit line facility as the facility bears interest on any overdue fees at the bank's prime rate plus 5%. Exposure is minimal as the credit line currently has a $15 million limit which is only available to fund LCs. Interest rate risk will become more of a factor as the Company takes on more debt to fund future project expenditures.

(ii) Price risk

Although the Company is not yet a producing entity, it is exposed to price risk with respect to commodity and equity prices to some extent by virtue of their impacts on the value of the Company's prospects and the resulting impact on the Company's share price. The Company's ability to raise capital to fund future development activities is subject to risks associated with fluctuations in the price of oil, natural gas and construction inputs such as steel and labour, as well as movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity and equity prices to determine the appropriate course of actions to be taken by the Company.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Company are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

The Fort Hills Partnership is exposed to changes in foreign exchange rates as capital expenditures may fluctuate due to changing US and Euro currency rates. The Limited Partners bear the risk of such rate fluctuations.

15. Commitments

a) Third Party Royalty

The Fort Hills Project as presently configured is subject to a royalty in favour of Petro-Canada respecting the volume of bitumen produced and shipped from oil sands Lease T52 with a minimum annual payment of $200,000 commencing in 2000 and subject to a maximum aggregate royalty of $20 million. The royalty is calculated as 1% to 2% of production and cumulative payments to December 31, 2008 by the partnership as a whole total $1,800,000.

The Fort Hills Project is subject to a royalty payment in favour of Can-Amera Oil Sands, Inc. ("Can-Amera") for bitumen production from Lease T05 of $0.045 per barrel of production. There has been no production to date.

b) Lease Tenure

In March of 2009, PCOSI, on behalf of the Fort Hills Partnership agreed with Alberta Energy on a Fort Hills Lease Substitution Agreement to extend the term of Fort Hills Project Leases T05 and T052 and remove the development milestones that were previously associated with the original Lease Agreements. Please note, in accordance with the Fort Hills Lease Substitution Agreement dated March 20, 2009, the Oil Sands Lease Number associated with Lease T05 has now been substituted with Oil Sands Lease Number 9404080933 and the Oil Sands Lease Number associated with Lease T52 has now been substituted with Oil Sands Lease Number 9404080932. However for ease of reference, UTS has continued to use Leases T05 and T52 in this document. The extension and removal of milestones was provided in exchange for a commitment to upgrade bitumen production within Alberta from Phase II of the Fort Hills Project. Under the terms of the Fort Hills Lease Substitution Agreement, upgrading capacity for bitumen from Phase II could be direct ownership of facilities, equity in a corporate body, trust or partnership, or joint venture, or an agreement, having a fixed term of 10 years or longer, securing upgrading capacity in an Alberta upgrader. The terms of the new leases will run through to July 31, 2019. In the event that the Fort Hills Project does not meet the terms of the Fort Hills Lease Substitution Agreement, the Fort Hills Partnership will pay the Province of Alberta damages for lost provincial revenue that could total $500 million.

On November 17, 2008, the Fort Hills Partnership announced that it would defer to 2009 a final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment can be established.

c) Petro-Canada / Teck / UTS Energy Corporation Agreements

On March 1, 2005, UTS announced that it had entered into an agreement with Petro-Canada relating to the joint development of the Fort Hills Project. Under the agreement, UTS retained a 40% interest in the Fort Hills Project while Petro-Canada became the operator with a 60% interest. In addition, UTS retained 100% ownership of Lease 14 on the west side of the Athabasca River. The arrangement with Petro-Canada provided for an initial joint $1.0 billion Fort Hills Project funding commitment. Petro-Canada was to earn a 60% interest and

operatorship by paying $300 million of UTS' share of the first $1.0 billion of Fort Hills' development costs, at a rate of 75% of UTS' 40% interest share until fully earned into the Fort Hills Project. At the same time as paying the earn-in, Petro-Canada was to also pay its own 60% share of the Fort Hills Project's development costs.

The Fort Hills partnering arrangement was then revised during the third quarter of 2005 with the addition of Teck as a 15% working interest partner. The revised Limited Partnership Agreement ("LPA") was executed November 30, 2005, reflecting the revised arrangement with Petro-Canada remaining the operator with a 55% interest, UTS retaining a 30% interest and Teck subscribing for a 15% interest. The LPA provided for an initial joint $2.5 billion funding commitment for expenditures on the Fort Hills Project incurred from March 1, 2005 onward. Teck was to earn a 15% interest by paying $850 million of the first $2.5 billion spent, the remaining $1.65 billion to be contributed by Petro-Canada at $1.55 billion and UTS at $100 million. After the first $2.5 billion of spending was to have been reached, further costs and expenses incurred would have been funded by the partners on the basis of their ownership interest.

On November 26, 2007, UTS announced the completion of a transaction announced previously on September 19, 2007 whereby its current partners in the Fort Hills Project, Petro-Canada and Teck, will each earn a further five percent working interest in the Fort Hills Project to bring Petro-Canada's interest to 60% from 55% and Teck's interest to 20% from 15%, with a resultant decrease in UTS' interest from 30% to 20%. Petro-Canada and Teck will contribute a combined $750 million on UTS' behalf beyond the original obligation of $2.5 billion noted above. As a result, UTS is effectively funded up to the first $7.5 billion of Fort Hills Project expenditures, with a $250 million further contribution required by UTS over the period during which the first $7.5 billion is spent. After the first $7.5 billion of spending has been reached, further expenditures will be funded by the partners on the basis of their ownership interests. At December 31, 2008, the first $2.5 billion of expenditure has been incurred by the Fort Hills Partnership and $3.6 million of the $750 million UTS carry on the second earn-in has been incurred by Petro-Canada and Teck on UTS' behalf.

The funding of Fort Hills Project expenditures by the Company's partners in the Fort Hills Partnership on the Company's behalf results in the Company's property, plant and equipment balances in these financial statements increasing only by the percentage of expenditures actually funded by the Company itself during the earn-in period (ie - until the first $7.5 billion of Fort Hills Project expenditure has occurred). The Company is funding the first $2.5 billion of Fort Hills Project expenditures at 4%, or $100 million and will fund the ensuing $5 billion at 5%, or $250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20% interest share of expenditures. As of December 31, 2008, the first $2.5 billion of incurred expenditures had been reached; therefore future expenditures incurred will be funded by the Company at the 5% level until a total of $7.5 billion of incurred expenditures is reached.

d) Fort Hills Funding

The Company is responsible for its share of the capital and operating costs of the Fort Hills Project. The cost of development of the Fort Hills Project significantly exceeds the Company's financial resources. Prior to commencing operations (if at all), UTS intends to finance such capital requirements from borrowings or from sales of equity securities. If additional financing is unavailable, the Fort Hills Project may be further delayed, development may be indefinitely postponed, or the future value of the Company's investment therein may be impaired.

e) Lease Commitments

The Company has committed to operating lease arrangements, for office space and equipment, in the aggregate amount of $3,749,000 over the next five years. Annual payments are as follows:

2009	$990,000
2010	1,156,000
2011	1,130,000
2012	473,000
Total	$3,749,000

16. Contingencies

a) Crown Royalty

The Province of Alberta imposes royalties of varying rates on the production of bitumen from oil sands. In October 2007, the Alberta government proposed a new royalty framework. Under the new regime, the Government of Alberta will increase its royalty share from oil sands development by introducing price-sensitive formulas which will be applied both before and after specified allowed costs have been recovered, including a return on capital based on the Government of Canada's long-term bond rate ("payout"). The base royalty will start at one percent of gross revenue on bitumen produced and will increase for every dollar that the world oil price, as reflected by the West Texas Intermediate ("WTI") crude oil price, is priced above CAD$55 per barrel, to a maximum of nine percent when the WTI crude oil price is CAD$120 per barrel or higher. After payout, the net royalty on oil sands will start at 25 percent of net revenue and will increase for every dollar the WTI crude oil price is above CAD$55 per barrel to a maximum of 40 percent when the WTI crude oil price is CAD$120 per barrel or higher. The Government of Alberta has announced that it intends to review, and if necessary, revise current rules and enforcement procedures with a view to clearly defining what expenditures will qualify as specified allowed costs. These changes came into effect on January 1, 2009. . Prior to January 1, 2009, the existing regime has oil sands producers subject to an initial crown royalty of 1% of the gross revenue on the bitumen produced, to be paid until the recovery of 100% of the allowed costs associated with the mining and extraction facilities, including a return on capital based on the monthly federal long-term bond rate. Subsequent thereto, the royalty will be the greater of 1% of the gross revenue on the bitumen produced and 25% of net revenue. Net revenue is determined by deducting from gross revenue the aggregate of all allowable operating costs and capital costs and any loss carry forwards. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind as it does currently for conventional oil production.

b) Licensing Agreements

In 2000, the Fort Hills Project entered into a license and technical support agreement with a third party to obtain ongoing technical support and information on licensed processes for the extraction of bitumen from oil sands through to 2015. To date, $5 million has been paid by the Fort Hills Partnership pursuant to this agreement. Contingent on utilization of the underlying subject technology, an additional $15 million is payable by the Fort Hills Partnership when construction of the Fort Hills Project commences and a further $25 million is payable by the Fort Hills Partnership when the Fort Hills Project attains specified levels of production. At December 31, 2008 there are no amounts due under this agreement.

During the year ended December 31, 2008, the Fort Hills Partnership entered into a site license and technical support agreement with third parties for the use of proprietary equipment for slurring mined ore prior to hydro transportation. To date $8.5 million has been paid by the Fort Hills Partnership pursuant to this agreement. A further $4.25 million is payable by the Fort Hills

Partnership upon project sanctioning and an additional $4.25 million is payable by the Fort Hills Partnership upon start of production. At December 31, 2008 there are no amounts due under this agreement.

c) Fort Hills Pipeline Project

The Fort Hills Partnership has entered into a memorandum of agreement with Enbridge Pipelines (Athabasca) Inc. (the "Agreement") to develop and operate diluent and bitumen pipelines ("Pipeline Project") for use in the Fort Hills Project. Under the Agreement, Enbridge Pipelines (Athabasca) ("Enbridge") will construct, own and operate the pipelines to be used in transporting diluent and bitumen for the Fort Hills Project. If the Fort Hills Partnership were to terminate the Pipeline Project before construction completion, the Fort Hills Partnership would be required to compensate Enbridge for capital costs incurred and committed as a the date of Pipeline Project termination. At December 31, 2008, the Pipeline Project is in the engineering phase. Enbridge has incurred capital costs of approximately $60.1 million and committed costs of approximately $156 million. Of this amount, $100 million represents the cost of pipe order which will only be payable by the Fort Hills Partnership in the event the order is cancelled. $55.2 million of cancellation costs relating to engineering work incurred by Enbridge have been accrued and expensed by the Fort Hills Partnership due to the delay in the decision to proceed with the upgrader, of which UTS' funded portion was $2.2 million.

d) Petro-Canada / Teck / UTS Energy Corporation Agreements

The terms of the Fort Hills Partnership agreements provide that if the Fort Hills Partnership were to determine that the Fort Hills Project will not proceed, which would be a decision requiring unanimous agreement amongst the Fort Hills Partners, UTS would be entitled to the remaining amount of Petro-Canada's original earn-in of $0.675 billion and Teck's original earn-in of $0.725 billion unless costs have exceeded $7.5 billion. At December 31, 2008, the remaining earn-in amounts totaled $0.373 billion and $$0.373 billion for Petro-Canada and Teck, respectively.

17. Recent Accounting Pronouncements

International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being converged with International Financial Reporting Standards ("IFRS") over a transitional period. In February 2008, the AcSB confirmed the changeover to IFRS for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents a change to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking which may materially affect the Company's reported financial position and results of operations. The Company has drafted an IFRS Transition Plan ("IFRS Plan") and an assessment of the impact of IFRS on the entity, its processes and its financial reporting is currently underway.

The first phase of the IFRS Plan was to perform a diagnostic review, the purpose of which was to analyze, identify and assess the overall effort required by the Company to produce financial information on an IFRS basis. Areas which will likely be significantly impacted by the adoption of IFRS were identified and a qualitative overview of likely financial statement impacts and potential difficulties with systems or processes which may arise when addressing the differences between IFRS and current Canadian GAAP was performed. A brief summary of the diagnostic review is included below under the heading "IFRS Diagnostic Summary".

The second phase of the IFRS Plan being undertaken is to prepare a work plan for the areas of significance identified above. Component evaluations for each significant area are being performed. Each component evaluation will consist of the following:

- Definition of a starting point by summarizing Canadian GAAP as currently used;
- Definition of IFRS accounting policies for the component;
- Narrative summarization of differences between current GAAP and IFRS;
- Identification of issues or data gaps to be dealt with;
- Summary of action items and identification of interdependencies with other components;
- Communication / training needs; and
- Effects on internal controls / disclosure controls.

This phase has commenced and is expected to be completed by the end of the second quarter of 2009. The next step will then be to analyze and aggregate the Company's financial data, while remediating any data capture/procedural / internal control deficiencies or issues which have been or continue to be identified throughout the process. The Company will continue to monitor accounting standards developments and regulatory developments which may affect the timing, nature of disclosure of its adoption of IFRS.

Goodwill and Intangibles

In February 2008, CICA Handbook Section 3064, Goodwill and Intangible Assets, was issued. Effective for fiscal years commencing on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior period financial statements will be required. The Company is assessing the impact of this new standard on its financial statements.

18. Subsequent Events

Take-Over Bid

On January 29, 2009, the Company received an unsolicited take-over bid from Total E&P Canada Ltd, requesting that shareholders tender their common shares for cash consideration of $1.30 per share. The Total E&P Canada Ltd. offer is open until March 30, 2009. The Company responded by issuing a Directors' Circular dated February 9, 2009, recommending that shareholders reject the offer. After a thorough review and evaluation of the January 29, 2009 unsolicited take-over bid and after consultation with its financial and legal advisors, the Board of Directors determined that the offer is financially inadequate and is contrary to the best interests of UTS shareholders. The Board of Directors therefore recommends that UTS shareholder reject the offer and not tender their shares to the offer.

Letter of Credit

The LC posted with ATCO Electric Limited in the amount of $940,000 in respect of the Company's 20% share of the Fort Hills Bitumen Extraction and Processing Facility electrical interconnection was returned to the Fort Hills Partners on March 10, 2009 as the existing form of the contract has been cancelled and is being revisited.

Lease Retention

On March 20, 2009, the Fort Hills Partnership announced that it has reached an agreement with the Government of Alberta to extend the term of the Fort Hills Project Leases. In exchange for a commitment to upgrade in Alberta the bitumen produced from the second phase of the Fort Hills Project, the agreement provides for extending the Fort Hills leases until 2019. Refer to Note 15(b).

Proposed Merger of Suncor/Petro-Canada

On March 23, 2009, Suncor Energy Inc. ("Suncor") and Petro-Canada announced a merger based on a common share exchange. On completion of the proposed transaction, which is subject to shareholder approval of the two companies, compliance with the *Competition Act* and satisfaction of other customary approvals such as regulatory, stock exchange and Court of Queen's Bench of Alberta approvals, the parties to the transaction have indicated that Suncor's existing shareholders will own approximately 60% and Petro-Canada's shareholders will own approximately 40% of the merged company. Suncor and Petro-Canada anticipate that the proposed merger will be completed in the third quarter of 2009. Given that Petro-Canada is UTS' partner in Fort Hills, the merger could have an impact on the development and timing of the Fort Hills Project.

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